FINANCIAL
INDEPENDENCE
HOW TO WIN IT

FINANCIAL INDEPENDENCE HOW TO WIN IT

BY

HARVEY A. BLODGETT

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TO

THE GREAT MASS OF TOILERS
IN AMERICA WHO WANT TO BECOME
INDEPENDENT

THE AUTHOR EXPLAINS

In this country of ours, whenever a vote is taken, the people separate into opposing camps We may have the widest divergence of religious or political views. We may be partisans for or against various "causes"—prohibition, votes for women, the tariff, and those others which hold the stage for a day and on which we all express ourselves There is at least one question, however, upon which a popular vote would be unanimous.

If one hundred and fifteen million Americans were to vote on the desirability of possessing enough worldly goods to be financially independent, a chorus of "ayes" would swell from land's end to land's end. Here is a subject which is close to the heart of everyone, on which there is absolute unanimity.

Being financially independent need not impair any of the virtues Indeed, as one achieves Independence his opportunity broadens for service to his fellow men; he becomes better socially, morally, and spiritually, through the self-restraint which he exercises and the ambitions which push him onward

Although this is a subject of practical interest to everyone, hitherto no book has been written to show exactly what one must do to reach a state of financial independence There are, to be sure, plenty of books on single and various aspects of the subject—some

light and conversational, others profound and technical—yet not one that I can find has established a formula which demonstrates how to start, proceed, and arrive, and then stay there after arriving

There are books which essay to take a novice through a course which will make him an adept at golf, bridge, or conversation, others which will enable him to perfect his figure and become physically fit, still others which will help him to train his memory or to polish himself for a creditable appearance in society Indeed, you may consult a "five-foot shelf" of books leading to the mastery of any one of a thousand arts and sciences, yet an appeal to a book dealer for one book that will lay down simple principles for what every ambitious person wants—Independence—would meet with the same answer that I met, "There is no such book"

Every art and every science has its established technique Methods for all sorts of accomplishments have been standardized or reduced by practice to definite formulas The lifetimes which men and women devote to labor have as objectives their comfort, their enjoyment, their betterment Yet the art of getting from one's labors more than a bare living, important as it is, has never been reduced to a set of fundamental principles Only recently was the call sounded for a "National Conference of all classes to draft a set of principles for economic independence and personal financial success."

Innumerable conferences of uplifters have taken place, these have evolved and drafted principles for accomplishing almost every good thing under the sun;

"how-to" and self-help books of every description have been numbered among the "best sellers"; there has been a great outpouring of maxims, preachments, essays, and hortatory and expository articles on all the varieties of thrift. Yet that is as far as thrift publications go. Ordinary mortals do not live by maxims. A wise epigram may cause the impulse which will start the human machine, but it cannot keep it going, and epigrams quickly lose their force as a motive power for ambition.

What we need is to have the subject of *how to achieve economic Independence and personal financial success* boiled down and clarified into principles which the masses can readily grasp and follow.

For many years it has been my work to write articles blazing the way to Independence. These writings have been mainly in the transitory form of pamphlets, with a book or two in merest outline. It does not seem difficult, after years of intimacy with the subject, to draft a set of principles, following which any ambitious, intelligent person can establish himself in a position of economic Independence

The steps on the road to Independence follow a logical sequence. One cannot invest money until he has saved it, he cannot save until he knows how. Proofs abound that the average American knows neither how to save nor how to invest So, in blazing the trail to Independence, we start at the very beginning and carry on in the natural sequence.

Perhaps somebody will discover some better, sounder principles than these, in which case he owes it to a waiting world to give it shorter cuts; for life, at best,

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Perhaps somebody will discover some better, sounder principles than these, in which case he owes it to a waiting world to give it shorter cuts; for life, at best,

is short, and millions of Americans are "on their way to their chimeras."

If my effort brings criticism, and my principles dissent, something at least will have been accomplished, for nothing will establish true procedure sooner than intelligent discussion.

I offer these principles now:

1. *Decide* to become independent
2. Learn to think straight and plan.
3. Master the art of saving
4 Master the art of spending
5 Guard against waste.
6. Cultivate the habit of industry.
7. Go into debt wisely.
8. Establish a connection with a good bank.
9. Use saved capital for profit
10. Conserve capital after acquiring it

In the following chapters I shall take up these principles one by one and show you how to apply them to your personal use and so become financially independent.

H A. B.

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A man should conceive a definite purpose in his heart and set out to accomplish it, and having conceived his purpose, should mark out a straight pathway to its achievement, looking neither to the right nor to the left

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FINANCIAL INDEPENDENCE: HOW TO WIN IT

INTRODUCTION

The desire to become independent is not a selfish one. As you become independent you will put yourself in position to influence and help others; from the start you will be a factor in making this a better world in which to live; you will be a builder of prosperity.

You *can* become independent if you want to hard enough to make the necessary effort to find the way, and then to follow it. There is a direct route to Independence just as there is a direct route from where you live to where you work, or from one city to another. There are also roundabout ways to Independence. To travel them takes more time, causes disappointments and retracing of steps, and allows a shorter time for enjoyment after you arrive.

If you plan a tour into regions you have never explored, you procure road maps and information before starting. You seek advice as to the best

routes. Before making a long journey by rail you consult a ticket agent and study time tables. You receive information with an open mind. Similarly, if you have an earnest desire to create opportunities for yourself and to determine a course by which you can reach the goal of Independence, you will readily follow directions that will help you on your way.

Becoming independent is hard work, but not fruitless toil which takes all the joy out of life. People are happiest when they are working, especially if they are working at something which is constructive—if they are creating something worth while, like accumulating property.

The person who succeeds in creating an independent fortune can look back with satisfaction to many a victory over obstacles which put his mettle to stern tests. The goal of fortune is rarely reached by a weakling. But at least one may start hopefully; he may have at the outset sufficient zeal or moral strength only to carry him to an easy goal, but that very accomplishment gives him added strength to make the next and harder one. So he who starts a weakling may finish a moral giant

If the mere saving of money were the secret of winning Independence, we should make short work of telling how. But life is not long enough for the average person to save enough, even at compound interest and under most rigid self-

restraint, to acquire a substantial fortune. The chief lesson to learn is how to use money after saving it—how to use efficiently the credit which comes with the acquisition of money or property.

Those who fail to gain Independence do so because they do not start right or do not keep going in the right direction.

Life consists in making choices. We choose to succeed or we choose not to. Some think that success is a matter of giving up enjoyment and living a life of drab self-sacrifice in order to gain the goal. On the contrary, Independence can be won and life may be thoroughly enjoyed while doing so. If we choose to frivol away time and money in pursuit of pleasures and vanities, and if thus we indefinitely postpone real enjoyment, we may call that sacrifice, or we may say it is the price we gladly pay for the things which really impoverish our lives.

I shall not try to persuade you that the winning of a respectable fortune is a thing which takes a lifetime to realize, but that the rewards are to be found as you go along—not only at the other end of a long and toilsome journey. What everybody wants is to enjoy life now; it is quite possible to do this and to manage one's finances with such wisdom that many of the good things which money will buy may be enjoyed while accumulating a competence.

I shall not tell you, either, that becoming inde-

pendent is a soft job, or that Dame Fortune will heap her favors upon you if you only put yourself in her path.

The successful business is guided to its destiny by organized plans. By a similar token, the individual who would carve a destiny for himself must needs *organize his plans.*

This book is a sincere endeavor to show you how.

CHAPTER I—The First Principle

DECIDE TO BECOME INDEPENDENT

Make up your mind to own property. Set a goal of achievement Upon reaching it, set another higher one, and keep going.

You want to become independent because you are not content with your present standard of living. You are not satisfied with what you have, what you are, what you are doing, or the way you are getting on in the world. Life's possibilities thrill you. Working toward things a little beyond your reach gives you a chance to prove your mettle. As you dream of achievement, definite decision is a helpful spur. Decision starts you on your way and decision keeps you going.

You do not wish to aspire for an Independence half a lifetime before beginning to strive for it. You desire to begin now to win a position of Independence so that you may have more years to live in the enjoyment of it.

Your habits are getting a firmer hold on you every day, whether they are giving you a daily lift toward Independence or are holding you back from it. It takes tremendous will power to break habits which you have been forming for years.

That fact is to your advantage, if your habits are such as help you win your way; they will help you also to stay independent.

Herbert N. Casson said, "Usually a young man dreams about the future the first half of his life; then he dreams about the past for the second half and in this way he loses both halves."

A young man was said to have asked James J. Hill, the Empire Builder, how he could win Independence. "Well," said Mr. Hill, "you take $5,000 and invest it. . . ." "Oh," lamented the young man, "I haven't got $5,000" And doubtless he went away to ask himself why he had not decided long ago to put by a portion of his earnings.

Indecision has cost many a fortune. "Once to every man and nation comes a moment to decide," said Lowell. Initiative and courage to choose the more difficult path have redeemed many people from a life of mediocrity. They have raised standards of living; have caused a more even distribution of wealth. In almost everyone's heart dwells the hunger for property ownership, for the comforts of life, for the welfare of dependents. Achievement, though it begins with worthy aspiration, cannot get under full headway without decision. Whenever you read the story of a notably successful man or woman you usually find that real progress began at the time when an aspiration was conceived and a momentous decision made.

DECIDE TO BECOME INDEPENDENT

Before you take any purposeful action which is not already a matter of routine, you decide upon it. If you are accustomed to traverse a certain route every day from your home to your work, it requires no effort to decide to go that way; you fall in with habit. But if some purpose will be served by going another way it requires consideration and decision.

Likewise, if you have been following certain paths which do not lead to worthy achievement; if the heights you want to attain, and can see dimly, are always retreating before your gaze; if to reach them you must travel a more difficult path, you will debate the matter in your mind. Perhaps you will hesitate. Your destiny will hang on your decision.

Draw a dream picture of yourself arrived at the goal of Independence. You will own property. It will be in the form of business capital or investments in land, buildings or securities. The income from your property will be as much as or more than you can earn from your labors. It will keep you comfortable should your earning power cease. You will be able to enjoy leisure, some travel, and a standard of living denied the person who depends entirely on his daily wage. In addition, your saved and invested capital will be making jobs for other people.

When you come home at night you will say, "I own this home, debt free. I have money in

the bank and investments in my strong box. I can afford to live well. I have no dread of hardship or poverty. Should I be taken away from my family, they will be able to live in comfort because my industry and the plans I have made for them will provide protection for their time of need."

That is *you* in your position of Independence. You can reach it if you follow the principles which have been established by the experience of countless numbers. Millions have learned their value through heart-breaking failures. Millions more, in the evening of life, find themselves dependent on relatives or charity because they failed to profit from the experiences of others. They bought their own experience and dearly, throughout a lifetime of mingled experiences of their own.

To dream of financial success is praiseworthy. To decide to attain it is practical. It is the first step toward building an Independence. A goal unachieved is a dream, and dreams are worthy when they summon the dreamer to action. Dreaming of vast wealth is idle for most people. It makes achievement too far distant. To dream, and dream on, never deciding to act, makes ne'er-do-wells Dream of financial success, yes, but *decide* to win it.

As time gallops on, your achievement must be more than dreamed. No one ever forged a for-

tune with dreams as the only tools. You can imagine any kind of future with all sorts of riches and enjoyments, but you must be mindful of the fact that every sundown counts out a day. Reaching the goal of Independence does not hang on decisions which you will make five years hence, but on those you make now.

It requires creative power to build an Independence. Such power is evidenced by what you dream and then act upon, but "Heaven never helps the man who refuses to act."

MAKE UP YOUR MIND TO OWN PROPERTY

As you go about the world almost everything you see is some one's property—homes, factories, stores, merchandise, transportation lines, all bought with the surplus of producers and savers.

If you do not spend everything you earn for a mere living you can accumulate property. You can create a competence for yourself and your dependents. You can have a reserve upon which to draw in case of misfortune. You can have income from your investments.

The property you see about you was created by people like you. They produced and sold; they earned something, spent less, accumulated cash and bought property with it. They saved, they invested, they traded.

To say that a wage or salary earner cannot

hope to accumulate valuable worldly possessions is to deny self-evident facts. Thousands of workers own stock in the United States Steel Corporation. With their savings they can buy more stock on the market any business day. Thousands of railroad employees own stock in the systems on which they are employed. It is now common for employees to become shareholders in the enterprises which give them employment. It is conceivable that, if workers save from their earnings and invest in these stocks they can eventually come in control of many of the great corporations. The ideal way to democratize industry is through employee ownership of the stocks of successful corporations

Railroads and public utilities are not altogether the property of wealthy people They are owned by vast numbers of shareholders, some of them humble wage earners. They are further capitalized by the purchase of their bonds by investors, large and small, and by banks which invest the savings of depositors in them. Many thrifty people accumulate enough in this manner to enable them to retire and live on their dividends. Old age and unemployment have no terrors for them.

It is the law of life that owners of business firms drop out or pass on; their property finds its way into the hands of the younger generation. Their interests are acquired, for the most part, by

those who at one time decided to establish themselves in business, who looked ahead, and saved for the purpose.

Are you a property owner? If not, make up your mind to be one. If you are, get more property. If no one wanted to own anything this would be a shiftless world. A Hottentot does not own property. Who envies a Hottentot? —

SET A GOAL OF ACHIEVEMENT

The philosophers tell us that there is little that the human mind can conceive that is not possible of accomplishment. "What you want to do," said Charles M. Schwab to a group of college students, "is to make up your minds what you are going to drive for and let nothing stand in the way of its ultimate accomplishment."

The man who knows where he is going finds the way to get there. John Burroughs said, "If you have a thing in mind it is not long before you have it in hand."

He achieves best who works toward a definite objective. Achievement is not a matter of reaching out in the dark in the hope of grasping something desirable. It is having something definite in mind and then using all your powers to get it. As Dr. Fosdick expressed it, "We are all praying the prayer of dominant desire. Our quality is measured by it; and because it engages in its

service our inward powers and calls to its furtherance forces from without, it tends with certainty to achieve its end."

Have you a goal? Set one high enough to be difficult, for easy attainment does not exercise the will and make it grow stronger.

Suppose your ultimate goal is a substantial fortune, enough to make you independent. First set a goal of $1,000. That may be easy, or difficult, according to circumstances. For some, $10,000 or even ten times that would not be out of reach. It is not beyond the range of possibility for one to whom a $1,000 goal is now difficult to achieve in time $100,000. Making the first thousand would be an excellent start; it is the hardest thousand to save.

When you have $1,000 saved you will have, ordinarily, another $1,000 in available credit, if your money is invested in a form that can be used as security. There is no limit to the size of a fortune that you can found on $1,000. Many great fortunes had far more modest beginnings.

What could you do with $1,000? Many possibilities loom before you when you have that sum in hand. You could safely invest it so as to add materially to the income from your labors. If you compounded the interest instead of spending it, you would have another thousand in time. Many a small business, many a partnership has been made possible with $1,000 in hand. With

this sum you could take an extensive trip which would be an education in itself; it would add to your personal equipment for your life work. With this sum you could secure, or make the first payment on a home; or you could comfortably furnish a small home with it.

Is the goal you have in mind an education? One thousand dollars will carry you a long way toward it. It will go far toward preparing you for a remunerative profession. With an education you can command the better positions in the business world. An education will give you much enjoyment. It will lay open to you the mysteries of nature and of science. It will introduce you to new worlds. An education will enable you to better comprehend and follow the principles for creating an Independence.

College money is now being saved for many a child because it makes a heavy drain on the family purse unless it is saved up years ahead. Great numbers of students are earning their own education money. To win an education, to achieve a profession through self-earned money, will put you in an enviable position compared with that of one whose way is made easy by his parents. An education earned by one's own effort is twice an education—it teaches self-reliance and equips one with ability to meet the problems of life unaided.

Some of the distinguished surgeons, lawyers,

and business magnates paid their way through school and college. Many men, now famous, will tell you that the experience of earning one's own education lays a solid foundation of grit and character on which to build successfully through later years.

Is a business capital the goal you have set? The small shops you know of were made possible with saved money. The large ones were once small and the money wisdom through which capital was saved for their start assured their growth. Although all cannot be captains of industry, business ownership is a legitimate goal for an employee. The ten fundamental principles which we have laid down for acquiring an Independence, apply as well in making a business successful.

Is your goal a fund to replace your earning powers when they shall wane? The human machine wears out. In a manufacturing plant it is customary to "charge off" a certain percentage each year for "wear and tear" on machinery and equipment. Properly carried out, the amounts charged off would be put aside in cash that, when the equipment is worn out or obsolete, money will be on hand to replace it. It would be well to apply the same practice to human beings who are wearing themselves out in the service of industry. Cash should be set aside each year so that, while the human machine is wearing out, a

cash fund is growing to take the place of the earnings of productive years.

Is your goal an investment fund from which you will receive a substantial income? A most sensible one, for the time will come when you will wish to relieve the tension on body and mind. Even when you are in life's prime and in full vigor of health, and while your work is your joy, an investment fund will enable you to live more abundantly. It will enable you to provide advantages for your family and bring many desired luxuries within reach. Fortunate indeed is he who can match his own earnings with those of well-chosen investments.

Do you want a home of your own? It is perhaps the highest motive you can have for thrift, the most laudable goal. Sang the Scotch poet:

> To make a happy fireside clime
>   To weans and wife,—
> That's the true pathos and sublime
>   Of human life.

You can leave your family no better heritage than a home free from debt. The land is dotted with homes bought and paid for out of wages. The Building and Loan Associations, where they exist, make it easy for persons who pay rent to buy homes and to live in them while paying for them.

The author once addressed an editorial to peo-

ple who had acquired homes through the aid of Building and Loan Associations. Perhaps reading it will help you picture yourself in your own home:

How It Feels to Own a Home

Do you own your home? Yes? Doesn't it give you a thrill to mount the front steps, put your own key in the door, step in, look around and say, *"This home is mine"?*

When you walk in the yard isn't it a joy to say, "I will plant shrubs here, an apple and a plum tree there, and an elm over yonder. And I'll make a border of perennials to bloom year after year. I could never do that on a landlord's property"

"No landlord ever planted trees or flowers for me," you used to say in the old days when you looked from the window of your rented house at the cool, vine-covered porch across the way

Doesn't it give you, a home-owner, a grand and glorious feeling to dig in your own yard? When you rented you didn't even care for a vegetable patch in the back yard because you didn't have to save grocery bills to pay the mortgage. You had vegetables from the grocer and tin cans supplied your table in the winter Now you have a "patch of your own" and know the delight of having crisp, fresh vegetables from your garden, canned right in your own kitchen. You never knew, when you rented, how much better berries taste half an hour from the vines And how you glow with health as you work in your own garden! "I've quit existing I'm really living now," you say, because you own your home.

When, as a renter, you asked the landlord for new

wall paper in the living room, remember how he used to say, "it was good enough for the last tenant," or, "I guess we will have to make it do a little while longer!" Now you pick out paper that suits *your* taste.

When you rented, the landlord couldn't always see the necessity of this repair or of that one He did things grudgingly, "when he got around to it." It was hard, wasn't it, to get him to make those improvements so necessary to have things "homey"? He didn't have to live in the place and you were just "*staying* there" He was willing to let you go as far as you would to keep up his property—in those days when you rented.

You have found that you make your own home more livable than the one you rented. How much more pleasure to keep things spruce and tidy when it's all *yours!*

You didn't care much about "tinkering around" and fixing things when you were a renter. You felt as if you would be working for the landlord without wages. "It's different now," is the song in your heart "I'm making something of this place. The little things I do and the loving work I put on it make the place worth more."

And when your friends come in for an evening with what pride you show them around the place And how you enjoy their expressions of approval. Now, after moving into your own home, you feel as if you wanted all your friends to enjoy the pride of ownership which tingles all through you!

You feel like telling them that everyone who can pay rent can own a home—and surely you ought to know, for you have proved it. If it takes a number of years to pay for it—well, what of that? They

would pay rent, anyway, during those years. Why not make it *home* money instead of rent money? Why not let it buy a home where no landlord could raise the rent or complain about the children?

You have found exhilaration even in a mortgage. For paying off the loan on your home was a game, wasn't it? Your head and heart worked together and you won a big prize "A little at a time and that little as easy as paying rent"

You never quailed before that mortgage. The only part of it that ever concerned you was next month's payment—about as much as the rent some landlord would have been gathering into his bank account. Every dollar you paid each month came back to you forever in your deed Buying a home is gaining wealth. You are happy in it while you pay for it. It is a delightful taste of Independence

When you bought your home *you* chose the place where you wanted to live When you rented you had to go where you could find one suited to your purse. Possibly it was a stuffy apartment where the children were deprived of their heavenborn right to romp and shout with glee. Maybe it was in a neighborhood you didn't just like for the children's sake and yours.

But there was a lot—or did it have a house on it?—that just suited you, exactly where you wanted to live. And so, you *decided to have it.*

When you made your first payment on your home you became a property owner. When you made your last you had become a solid, substantial citizen—an ideal American Now, if sickness comes, no monthly rent bills will stare you in the face. Here is a haven for the family if the breadwinner is taken away.

Your home paid for, your rent money now goes into an investment fund. It has become so easy to set it

aside! You have proved to the world and to yourself that you can *decide* to do a worthy thing and then *do* it! You have accomplished one of the noblest achievements in human experience. You have created a Home of Your Own.

Have you some other goal, a cherished heart's desire? Play the game according to the rules and you can achieve it.

UPON REACHING YOUR GOAL SET ANOTHER HIGHER ONE, AND KEEP GOING

Acquiring an Independence is a matter of progressing from one goal to another. Some one has said, "There is always a new horizon for the onward looking man," and I should add, if he steadfastly keeps his eyes fixed on higher goals and his feet set firmly in the right direction. Many people in their haste to reach their goal, leave the straight path and attempt hazardous short cuts. It is the steadfast upward climb that finally brings up to the destination. A sure-footed person plants his feet on solid ground as he goes along.

The highroad to the goal of success and Independence is open and free. It begins at your very feet. It is full of turns and slopes. At every turn a new vista of hope appears to you. As you rise to new heights the exhilaration of achievement comes which quickens your blood.

Even your past failures are guideposts, for they warn against greater ones ahead.

Some years ago George C. Boldt died, the owner of a great hotel in New York and another in Philadelphia. He began as a waiter and probably he did not look to the patrons on whom he waited different from other waiters. He had a big ambition. It was to own a hotel, and that ambition, no doubt, held him level through the years in which he saved his tips and traded with his savings, following the advice of patrons with whom he was popular.

One who has not a big ambition—big for him—is to be pitied. The boy whose heart's desire is to own a radio, the young man who looks forward eagerly to the time when the countryside will be laid open to him and his family with an automobile, or when he can buy out the boss, the girl who longs for education or travel—all these have worthy ambitions which will spur them on. Saving is not a punishment. It is the highroad to the gratification of your dominant desire.

Happily, the satisfaction of heart hunger is found waiting at every resting place on the journey. It is not deferred until the last goal is reached. Our possessions grow as we proceed and are not all handed to us in a lump like the pot of gold at the rainbow's end.

There stands your goal, afar off. When you reach it you will see other goals, bigger, higher.

You can hardly aspire to them now, not until you have made your first one. Then you will begin to realize that there is no limit to the ends you can reach.

CHAPTER II—The Second Principle

THINK STRAIGHT AND PLAN

Think on paper and find out where you stand. Work out a plan for reaching your goal. Stick to your plan, but improve it with experience.

Loose thinking will never take you to your goal of Independence. It will require straight thinking on your part to reason out where your present course is leading you and to mark the most direct line to your goal. Straight thinking will help you to settle on the right thing to do, and your plan will be your guide to do it in the right way. You have noticed that straight thinkers plan out a course and refuse to be lured from it. When they start for a destination they do not go up this byway and down that cross-road in pursuit of bright lights if they really want to arrive. They think ahead and actions follow their thought.

The habit of straight thinking is one of the things which transmutes the worker into the fortune builder; it holds one steadfast on the course he has charted; it brings the defeated one back to win the place in the world where he belongs; it carries one through the valleys of despair;

helps him sweep aside his obstacles and guides him to the peaks of achievement.

In your enterprise of working for the goal of Independence, if you govern yourself with straight thoughts you will hasten your arrival by many years, and you will have that much more of your life to live in full enjoyment of the fruits of your effort.

Victor M. Lawson, the Chicago newspaper publisher, who died leaving an estate estimated at over twenty million dollars, made it his life habit to have every plan carefully thought out and a formula for it adopted; then his plan was rigorously and relentlessly maintained. He imbued his whole staff with this idea, and when he died he had an organization trained to carry on his great publication under his policies.

"The huge United States Steel Corporation," said Forbes, "sprang from thinking done by Charles M. Schwab. The thing that makes one man worth $10,000 a year and another only $1,000 is the difference in their minds, in their power to think."

THINK ON PAPER AND FIND OUT WHERE YOU STAND

If you consult a map to determine what route to take to a certain destination, you spot your present position the very first thing. It is as

necessary to know where you are starting from, as it is to know where you want to go. It is equally necessary to know whether you are headed in the right direction or must change your course. When a ship at sea comes out of a fog the first thing the navigator does is to get his bearings. A business concern finds out where it stands and where it is going by consulting its financial statement or balance sheet.

Winning Independence is a business of your own and it is well to put down on paper your assets and liabilities—what you own and what you owe, and strike a balance. You would go about it in something like the way shown in the table on the opposite page.

This statement shows that its maker has a net worth of $4,261.58. It is well invested in a home, home equipment, bank account and bonds, with an automobile, which is, no doubt, largely used for utility purposes. The cash surrender value of his insurance is an asset, but it should not be taken into consideration as an amount available for current use; that is not the thing for which he bought the insurance.

On the liability side the past due bills are not embarrassing, and on the whole, the statement shows that its maker is already on his way to Independence.

If you follow a formula such as this, being perfectly frank with yourself, you will get a good

STATEMENT OF WILLARD POOLE AS OF OCTOBER 1, 1925.

Assets		Liabilities	
Home worth	$4000 00	Mortgage on home	
Home furnishings in-		unpaid	$1250 00
cluding new piano	825 00	Interest on mortgage	
		—3 months ..	25 00
Cash in check-		Unpaid installments	
ing account. 104 00		on piano	120 00
Cash in savings			
account . . 85 00		Past due bills.	
Cash in pocket 3 83		Dentist . $16 00	
——		Doctor 5 00	
Total cash assets ..	192 83	——	21 00
Liberty bonds and		Current bills (last	
other securities ..	250 00	month)	
		Light $3.83	
Oil stock (cost $300)	....	Gas . .. 4.21	
		Emporium . 22 00	
Automobile (3 years		Grocer ... 27 00	
old—value now)..	150 00	Meat 12 00	
		Milk .. 7 00	
Cash surrender value		Miscellaneous 11.21	
insurance policy .	347 00	——	87 25
TOTAL	$5764 83	TOTAL	$1503.25

Total Assets	$5764 83
Total Liabilities	1503.25
Net worth	$4261 58

idea of your bearings and you will know where you are headed. Such a statement, brought up to date once a month, will tell you exactly what progress you are making, and if you are in dead earnest, it will be one of the best possible stimulants to straight and correct thinking. Adopt the

suggestions in a later chapter on budget making and you will always know where you stand.

While thinking on paper, make an inventory of yourself also. The one above is a statement of your financial position. You have assets and liabilities of character and habit which will always determine your financial position. Put them under observation. Draw a vertical line on paper and on the "asset" side, set down the "points" which will aid your progress. On the "liability" side, those which will handicap you. Use a formula something like the one on the opposite page.

Now do some real thinking. Where are you to-day? How far are you now toward your goal? Why have you not gone further? What mistakes have you made? Before trying to go ahead, concentrate on your past performance but spend no time on vain regrets. Simply make an analysis which will help you avoid in the future the mistakes which have held you back. How much would you have to-day if you had steered yourself from the mistakes that are so clear to you now? If you keep right on with your present habits, where will you be, financially, a year from now? In five? In ten? The next ten years can be the best years of your life, if you think straight and plan as you think.

Probably the personal balance sheet shown above does not reflect you at all—none will,

PERSONAL BALANCE SHEET

Assets	Liabilities
1. Have bought a home which when paid for will be a great boon to my family	1. Have had the idea that, owing to high cost of living, impossible to save anything.
2. For several months made regular savings deposits. Think I can do it again.	2. Keep too much of my pay for pocket money.
3. Raise backyard garden crop which helps on bills and gives me health.	3. Cashed my Liberty Bonds and bought oil stock on promise it would pay big dividends. It didn't. I lost.
4 Thrifty wife watches for bargains Is economical about house, especially in kitchen.	4. Use car to go everywhere. Would do me good to walk more My repair bills on car too much
5 Family well, with one exception.	5. Never keep track of where my money goes. It is gone, that's all.
6. Paying for as much life insurance as I can.	6. Too liberal with the children, and haven't taught them to work and earn and save
7. Have a good job and am diligent at my work.	7. Don't read enough—nothing along my line of work.
	8. Never get down to the serious business of creating a substantial future—just drifting.

except one which you yourself make with the utmost honesty. Do it. It will not be published in a book. No one but you will ever see it. An

honest, personal balance sheet like this will give you a vivid picture of the kind of person you have on your hands, to get in shape to travel a straight line to the goal of Independence. After thinking hard over the results of this experiment you are ready for the next step.

WORK OUT A PLAN FOR REACHING YOUR GOAL

A man who had achieved great success was asked whether his life had been governed by any well-developed plan. He replied, "I think the main reason for my success, such as it is, was that I always had a plan—but not the same plan always. I cannot recall when there was not some definite thing to which I was looking ahead. Always while planning, I was laying by from my earnings and profits more money with which to carry out my plans. Of course I had my setbacks, everybody has them; but they only increased my store of wisdom and caution. They seemed hard when they occurred, but I feel sure as I look back that the lessons they taught saved me from bigger losses later on and were worth all they cost me."

A building, a ship, or an automobile takes form first in some one's mind, and is then reduced to paper in the form of drawings and blueprints. The navigator steams the rivers and lakes and seas guided by charts. Make your plan your

chart, your blueprint; and always, while building your Independence, keep your pencil sharp and your pad of paper handy.

A self-made man, talking to a group of young men on the fundamentals of success said, "Human progress is, after all, a matter of planning, and if your plans are to be practical it becomes necessary to keep figuring. The basis of your success will be principles of simple arithmetic. Do not take anything for granted. See whether or not your plans can be translated into cold figures which will stand close scrutiny. That is how successful men make profits. Too many people go through the world never figuring where their plans, their methods, and their course generally are leading them."

If you lay down a practical plan and follow it for, say, fifty-two weeks, you will acquire the plan habit. You can then attempt larger plans successfully.

If a certain sum of money is your goal, divide the amount by the number of pay days in which you intend to reach it. That shows how much from each pay envelope belongs to your future. That begins your plan. Then save the amount every pay day. That executes it.

Be practical about it. One way to fail is to make such big, ambitious plans that you cannot possibly see them through. That is not straight thinking. If you figure properly you will not

make such a mistake. A steam fitter's helper, earning $20 a week, resolved to save half of it. He made four deposits, then drew out his money to pay for some necessities and gave up in disgust. If he had begun to save $3 a week, he would have had more than $150 in a year and might have been able to save $5 or $6 a week thereafter.

You have chosen a definite financial goal which you want to reach in a certain time. What must you do to get there? What changes must be made in your mode of spending, if your present one will not permit you to save that much? What luxuries must you forego? How much less pocket money will you need to carry?

Then, what can you do to save a little more? Can you wash and oil your car instead of having it done for you? Can you cut down its mileage? Can the old suit or dress be made to go a little longer? Can something be spared from the table without losing nourishment? Can a few of a hundred little economies be practiced in order to make it possible to improve your financial condition wonderfully? Remember, the ultimate result of your effort will be the increase of your buying power.

Think every morning what definite things you are going to do that day in furtherance of your plan. Consult your chart. The few moments you give daily to your budget, recommended in

another chapter,[1] will bring your plans in daily review.

STICK TO YOUR PLAN BUT IMPROVE IT WITH EXPERIENCE

There will be difficulties, of course, but a plan which does not call for spirit and determination to carry through is but the device of a weakling.

> Attempt the end, and never stand to doubt;
> Nothing's so hard but search will find it out.
>
> HERRICK

After some practice at straight thinking, do not admit failure until you have proved that your plans are not workable. Only a quitter starts a plan and casts it aside on meeting obstacles. "He is only well made who has good determination," said Emerson, and also, "Go put your creed into your deed."

It is easy to plan for success but it requires fine mental discipline to drive a plan through. Long distance visions are necessary for worthy goals; to reach goals only in fancy makes aspiration futile.

Probably Edison at the beginning did not dream of the perfect incandescent lamp. When he first worked on this invention he could hardly have conceived of the wonderful electric displays

[1] Chapter IV.

which at night make the world's great white ways. He visioned his bulb, with its white-hot filament, and experimented with it for years, meeting numberless failures. Undaunted, he finally produced a bulb that would work; he kept on thinking and improved it again and again, going from goal to goal of perfection. Measured by present requirements, his first lamp would have been altogether inadequate and imperfect. With experience, his vision of his ultimate goal grew.

The only way you can test your plan is to put it into operation. Experience is the best teacher. He is wise and forward looking indeed who, in making his plans, is alive to the experiences of others. Thus he can profit by their mistakes and use their successes as a guide for himself.

An aged man said to his five daughters, "I cannot leave you much in the way of worldly goods, but I wish I could leave you my experience, for it is the most valuable thing I could give you; alas, you must learn from your own."

A business man who is now prosperous and possessed of an independent fortune held a minor position in his early twenties, earning a moderate salary. He had never been a money saver. A friend poked him in the ribs one day and said, "Have you five dollars?" "Yes," he replied, "it is about all I have left of last month's salary." "Do you know," said the friend, "you can start

a big fortune with that five dollars?" The young man thought for a minute. "All right," he said decisively, "this bill starts a fortune of $10,000." "How soon will you have it?" asked the friend. "In ten years," the young man replied promptly. "Big job, but you'll do it, *if*"—the friend looked him squarely in the eye—"if you think ahead and plan."

He opened a savings account at once, with his five dollars. He divided his ten years into two five-year periods. "I'll not worry about the second five years just yet," he said, "but if I can save $3000 in the first five years, I can save seven thousand in the second five. My salary will increase several times in the next ten years." He decided to devote the first five-year period to a savings account. He started with modest savings from his pay checks and increased them with every salary increase. Every dollar of earned interest went back into his account. When he earned an extra amount that went in too.

After the third year his principal had grown to such an amount that his interest earnings became a considerable factor in the growth of further principal. Before the end of the third year he had saved his first thousand dollars. By that time, because his habits had made him industrious, his position was advanced more rapidly and his salary increases became larger. At the end of the fifth year he had saved more than

a third of his $10,000. He had also increased his value to his firm so that he filled a position of greater responsibility. Now, instead of leaving all his money in the bank, with the advice of his banker he chose some good investments which paid a higher rate of interest than the bank rate. The interest earned on these investments was placed in his savings account and he kept on depositing from his increased salary.

The $10,000 which he had resolved to save in ten years was actually on hand in eight, in the form of good investments and banked money. This money however was but a small part of the assets he had gained; he had learned to think straight and to plan; he had acquired the ability to make good investments; he had qualified himself for a high position.

His life history from that time on is one of the thousands of stories of successful men and while the modest fortune he had accumulated in those eight years was not, in itself, very impressive, those were the years in which the foundation of his great success was laid; a foundation based on a five dollar bill, which until his friend made him think, was mere pocket money.

There is no way of finding out in any book, just what plan can be developed to fit your case exactly. You must make your own. No one can do it for you. You know exactly what conditions surround you, what obligations rest upon

you. Go off by yourself and quietly apply some straight thinking to your problem, spot your present position, decide where it is leading you. Then make your plan and drive it through with intelligent thought and firm purpose; you will certainly find yourself speeding along on the straight road to Independence.

CHAPTER III—The Third Principle

MASTER THE ART OF SAVING

Have a savings plan Bank your savings regularly Fix the savings habit Do not lose sight of the importance of compound interest. No man saveth to himself alone.

Saving with some people is a knack, but with most of those who succeed it is an art acquired through practice. "Art," says the dictionary, "is the application of knowledge; the exercise of skill; a system of principles and rules for attaining a desired end." To become skillful in the art of saving, as in playing a musical instrument, carving a statue, or fashioning with tools things of beauty and utility, requires practice and a will to succeed.

Here is a man who plays a clever game of golf; another who is a wizzard at billiards; here is a woman who is an accomplished musician. Was their skill inspired or acquired? Ask them. "Practice," they will tell you. And so in finance —practice. Most successful people began at the bottom. Began, mind you. They did something for themselves; luck played no part in it.

Your beginning—one dollar or a hundred—will attract more money to it, but you must make a beginning.

Saving is a means to ten thousand ends. The realization of almost every personal ambition, the possession of things greatly longed for, depend on money one has saved, and upon habits which control his use of money. Is it not worth while, then, to cultivate the art of saving—and to learn also how to use money after saving it?

The first step is to save some money. The people who have reached the goal of Independence are those who have had cash with which to make or seize opportunities. These opportunities have been presented in various forms,—for investment, for profitable trades, for acquiring an interest in a business enterprise, for securing an education which would enable one to command higher positions in the world.

You will learn by reading this book how to start and how to proceed along the way; what to do and what not to do. But the book cannot start you. You must be a self-starter.

HAVE A SAVINGS PLAN

There have been plans for saving suggested in endless number. Some people plan to save all the coins of a certain denomination which come to them and thus make the amount of their saving

a matter of chance. Others save wages earned by working overtime, as an extra profit on their labors, which is a good idea. Still others save all extra earnings, gifts of money received outside their regular occupation. Those who make side trades of any kind may consider the profits on such transactions a proper addition to their permanent capital.

We often hear of men who put aside the price of a shave or a shine every time they perform these offices for themselves and when they walk, instead of using the trolley, bus or taxicab, they do the same. They are sensible people, who salt down what they save, when they curtail their smoking, desserts, movies or other pastimes or when they lop off a luxury here or there and bank what they save in doing so. There is a theory which opposes such ideas on the ground that liberal spending makes business good and that niggardliness is an ingrowing vice. The answer to this is that only exaggerated thrift is niggardliness; that everything is subject to the rule of common sense, that each one must be governed by rules which, in their observance, will make him, not a miser, but a thrifty, useful citizen and prepare him for his place in the sun, the goal of his dreams

In another chapter[1] we shall speak at length of governing spending with a personal or house-

[1] Chapter IV

hold budget, as a means for balancing earning and spending, that profit may be capitalized. While adding your extra earnings to your savings is an excellent idea, there can be no better way to assure steady progress toward one's goal than to decide upon a specific amount from current earnings, to be saved regularly. It may be convenient to deposit your savings once a week, or more convenient to do it once a month, but one can hardly have a definite saving plan unless he covenants with himself to save a specific amount at certain times.

Clearly, the amount you are able to save is governed by your spending as well as by your earning. In the following chapters we discuss the matter of spending, of budget making, and of stopping the wastes which interfere with financial progress. All these have an intimate bearing upon your success as a money saver.

You *must* have a saving plan. Saving without one means putting the savings account aside to gratify fleeting desires. Nothing worthwhile is created through spasmodic effort and no dependable habit is established thus, unless it be the habit of procrastination.

When you have considered carefully the following chapters, plan your income and expenditures, then decide how much you will regularly save while treading your way joyfully to the first goal on your journey to Independence.

BANK YOUR SAVINGS REGULARLY

The question now arises "where shall we put our savings?" A great many people make the mistake of hoarding their savings in some secret place. We shall touch upon that later, considering here the merits of various kinds of depositaries which receive savings.

Among these are the Building and Loan Associations, the Postal Savings Banks, the Mutual Savings Banks and the Savings Departments of Commercial Banks and Trust Companies. Buying life insurance is also a form of saving.

The Building and Loan Association is not a bank and, with few exceptions, performs no banking functions other than receiving savings and making loans on real estate security. It serves two major purposes—the acquiring of homes and investment. The rapid growth of the Building and Loan movement, trebling in its deposits and membership within a few years, bears witness to its great popularity and usefulness. Thousands of happy homes, acquired through membership in these associations, dot the land. Thousands of investors own shares paid up in these associations which give them a good rate of interest. About nine million people who are paying regularly into these associations get a better rate of interest than banks are able to pay.

Building and Loan Associations invest their funds in mortgages on homes built by their members. The borrower must, as in the case of any real estate loan, have some funds of his own before he can obtain a sufficient loan. If he has no funds he must save enough for his first payment in the Association and make further payments until he has a sum sufficient to meet the requirements. Then the Association lends him the balance needed to buy or build his home, and he makes monthly payments to the Association until he has saved a sum which will wipe out the mortgage.

The Building and Loan method of acquiring a home has enabled tens of thousands of people to "move in" after acquiring a home with a small payment, and then to apply what would otherwise be rent money, perhaps a little more, on the extinguishment of his debt. The renter of moderate means should consider this method if there is a Building and Loan Association accessible to him.

The primary object of the Building and Loan Association is to aid people in acquiring homes. One engages to buy shares of a specified amount and make monthly payments on them. With the accumulation of interest these shares will become fully paid within a stipulated period.

If the member desires to buy or build a home he makes his first payment when he has accumu-

lated enough of his own money to do so. Then he borrows enough from the Association to complete his purchase. He makes monthly payments of an amount to pay his loan at the same time his shares mature, then his debt is cancelled and his home is clear.

If the member does not want to complete the payments on his shares and desires his money returned, he may withdraw the accumulated amount after complying with certain rules of the association.

This method of saving lays an obligation on the member to save a stated sum at regular intervals—an obligation which it would be well for all savers to take upon themselves. On the other hand, withdrawal in case of emergency is not so easy as with banks; there is not the flexibility in the Building and Loan as in the bank method. The member does not have at his disposal other financial services that are available to the bank depositor nor is he paving the way, as he would in a bank, for business aids which banks are organized to render. As to character of management and integrity, Building and Loan Associations are as fallible as other kinds of financial institutions.

There are nearly nine thousand Building and Loan Associations and kindred organizations in the United States. These Associations seem to thrive particularly in certain states; in many

localities there are none. They vary somewhat in plan of organization and even in name. Many are called Savings and Loan Associations.

The Building and Loan method of saving, even if one does not plan a home, is a satisfactory one. The assets of these companies are invested in first mortgages on improved property, the loans on which are being reduced monthly. Many of these associations are towers of financial strength because of their age, large membership, and conservative and economical management.

For those who want safety above all other considerations, and who are content with a low rate of interest, the Postal Savings Bank has a strong appeal because it is a government institution. Because of the low rate these banks have not grown so rapidly as was anticipated when they were founded.

Mutual Savings Banks, though comparatively few in number, offer attractive conditions to savers. They have weathered all the financial panics and depressions of the last seventy-five years without a single failure, and they continue to grow in strength.

A Mutual Savings Bank differs from the large majority of banks in that it has no stock which must pay dividends to owners. It is a purely mutual institution and all its earnings belong to the depositors themselves. It is managed by a Board of Trustees, usually composed of success-

ful business men in the community; these serve without compensation. The only salaries paid are to the managing officers and to the employees necessary to carry on the business.

In order to add strength to the institution, a part of the profits of a Mutual Savings Bank, instead of being given back to depositors in the way of interest, is added to the surplus, or working funds of the bank. The dividend rate paid by a Mutual Savings Bank is usually four per cent, compounded semi-annually, although there is some variation in this rate.

The investments of a Mutual Savings Bank are restricted by law to a high grade of securities, and it is axiomatic that the choicest securities bear low interest rates. The earnings of the Mutual Savings Banks are usually low, due to the low interest rates which prevail on the high class of investments which these banks make. If interest rates are high and profits unusually large, the bank is enabled to increase the surplus, thus increasing the security of every depositor.

No commercial loans are made by Mutual Savings Banks; hence the hazards incident to that character of loans are lacking. Such a bank has no checking accounts and does a purely savings business.

The majority of Mutual Savings Banks are in New England and New York state. There are a few in other eastern states; very few in the mid-

dle west, and a small number scattered throughout the country.

The National Banks, State Banks, and Trust Companies, called "incorporated banks," usually have savings departments, and they present many advantages to savers. They render a wide variety of financial services which those who are working toward an Independence naturally use. Many prefer these incorporated institutions because they are able to transact all their financial business at one place.

One who decides to commit his savings to a bank may make his choice among the Mutual, State, and National Banks, and Trust Companies in his community.

Saving in a bank, however, is not the beginning and end of creating an Independence. To many people the thought of going to the bank once a week for twenty-five or thirty years with a small deposit, is a dreary prospect. The average, red-blooded, up-and-coming person demands more variety. One could build a large bank balance and have it for years without anybody knowing it but his banker and himself. He would miss the thrill of seeing his name on a sign in the market place.

While it gives satisfaction to know that, deposited in a bank, one's savings are being poured by that bank into the lively channels of industry, yet he feels better if, somehow, he has a hand in

directing a successful enterprise, in producing something the world needs, or in buying and selling for profit.

Nevertheless the first step is to save some money. Then, having saved it, invest it; then invest the income from it or turn the principal over in profitable trades. But save you must, first, last and always—keep on saving.

A good bank, then, is the place in which to save your first thousand dollars, or such a sum as you determine upon. Then, when you get sufficient funds, look around for a safe investment. Having your first thousand safely invested, start another thousand in your bank account.

There has never been devised a better or safer way to lay the foundation of capital than in a good bank. The owner of a savings account does not need to go to the bank to collect his interest. He need not worry about receiving it the day it is due, for if he is a thousand miles away it will be credited to his account and will then begin to earn more interest.

If you follow the financial pages in the newspapers you are impressed with the fluctuations in prices of the bonds and stocks quoted there. You will see many stocks for which owners paid par, go at times to very low levels—and to high levels also. You will see changes in the quotations on bonds. Even Liberty Bonds went far below par soon after the war, because millions of people did

not have the sense to hang on to them but indulged in a mad orgy of spending their bonds for luxuries, thus gorging the market and depressing the prices.

A savings account in a good bank is always worth par. It is the kind of an investment that does not fluctuate, except to increase in value with compound interest. You never have to look in the paper to see how much your savings account dollar is worth. If you need money you are not obliged to find a way of turning your savings account into cash because it is practically cash, earning interest.

A savings account is always ready to take care of any odd sum you want to save. A dollar or two, or five, goes in this week. Then perhaps you get an odd amount—some extra money, that, too, you can add to your "Independence" fund growing in the bank.

At ordinary rates it takes money at simple interest, five to eight years longer to double itself than at compound interest. A bond or stock pays simple interest; a savings account pays compound interest.

As we shall see later it is very desirable to own good bonds, and savings accounts offer the means of getting enough money ahead with which to buy them. Without disparaging bonds as an investment, it is well to consider some advantages which the savings account has over securities.

If you owned a bond or a mortgage on some land, or some shares of stock, you would receive interest or dividends, or perhaps rent from the land, once or twice a year, but you could not add your interest or dividends to the face of your bond or mortgage or stock—probably you could not buy more land with it. Your principal would be a fixed sum to which it would be impossible to add small amounts. You would thus be compelled to look for some other means of investing your interest or dividends, or you might be tempted to spend them.

Few can buy a bond or mortgage or a stock once a week or once a month, but anyone with a savings account can deposit as little as a dollar whenever he wants to do so. For these reasons it is best to begin to accumulate your capital in a savings account and then, as you secure sufficient funds, make other investments at higher rates. Be sure to deposit the earnings of these investments so that you may secure compound interest on them. While you are depositing them, keep on adding from your own income so as to be ready for an opportunity to trade profitably with your savings.

Thus a savings account, combined with an investment plan, makes for sure progress on the road to Independence. It also fortifies you against emergencies such as illness, loss of position, destruction of your property by disaster, or

any other of the misfortunes from which we mortals are never immune.

Life Insurance, as we have said, is a form of saving, although it is chiefly looked upon as protection. When you buy life insurance you are saving for the benefit of those dependent upon you. If you buy endowment insurance you may enjoy the fruits of your saving in later years. If you live until your policy matures you will receive interest at a low rate on your premium payments and will have had the protection of insurance besides. If you do not live until the policy matures, you will have paid a very high rate for protection, because the premium rate on endowment insurance is high.

FIX THE SAVING HABIT

Successful saving is a matter of habit. A habit is formed by repeating an action until it repeats itself without conscious effort. Habits of mind are formed by thinking a certain kind of thoughts until it becomes second nature to think that particular kind of thoughts. Thinking a great deal about achievement spurs people to achievement. Consciously or unconsciously their energies are inevitably directed where their thoughts lead them.

But dreams of success come true only when backed by actions which curb spending and com-

pel saving, actions which are repeated so many times that they become habit. Charles Reade said, "Sow an act and you reap a habit. Sow a habit and you reap a character. Sow a character and you reap a destiny."

Ability to save is first *wanting* to—deciding to —and then saving consistently until the habit is formed. After the habit is formed it is second nature to save.

"How use doth breed habit in a man." The money habits which grip you now, magnified, emphasized, firmly fixed, "grown up"—for habits grow, you know—will be the foundation, rock or sand, of your success; of the kind of fortune you are choosing now to build. What you are in the habit of doing is making you what you are going to be. You are in the grip of habit. You are following where your habits are leading you. Are they leading you toward Independence? That is worthy of your profound, earnest thought. Ten years hence it will be an enormous task to free yourself from the habits you are establishing now. If you are mastering patiently the art of saving and are making a habit of it, in ten years you will be a long way toward your goal of Independence, possibly arrived there.

Consider your habits. Did you do this yesterday? Did you spend a little money here and there just to gratify fleeting desires? Did you thoughtlessly go into debt for something you

could not afford? Did you put off the conquest of your nickels, dimes and dollars—the mastery of your will? Did you contribute your small coin to some one else's fortune? Will to-day be a repetition of yesterday? Habit, you know, is made of repetition.

Do you ever consider what kind of an old person you will be? Just multiply your little, insignificant, incipient money habits, and other habits, by days and days like your yesterdays and you have your answer. If the answer is unpleasant to contemplate, *change your habits.* If wasteful, easy spending habits grip you, in ten years it will be desperately hard to throw them off and then laboriously acquire better ones—there will be ten wasted years in your short span of life.

Cultivating the saving habit, which is a way of saying, "mastering the art of saving," has distinct advantages; it constantly increases one's worldly possessions and provides his business capital, it sobers his mind, sharpens his wits, steadies his aim, and prepares him for his place in the world.

A practical way to make a habit of saving is to have a regular day and hour for it. Every family has its wash day, baking day, sweeping day. Every person has his standing engagements for certain days and hours of the week. If you really want to save and *decide* to do it, complete

the bargain with yourself by appointing a definite time to make your deposits.

It will never be easier to save than right now. Many people have it all figured out that they will turn about "some day" and begin to be thrifty—when it is easier. And then they go right on, assiduously cultivating habits of unthrift and rooting them more deeply into the character that is growing within them. They little realize that the chances for changing to habits of thrift lessen with each setting of the sun.

Your goal has been set. Let nothing swerve you from your purpose to reach it. Nothing is to be gained by waiting. As you go along, hands will beckon you off the straight path to your goal. Keep straight ahead. You will soon "get the swing" of it. It is easy to save money as you swing into your pace. You know people who are saving successfully with comparatively little effort. What is it that makes things come their way? They have got the swing, the momentum, that is all. How did they accomplish it? Did they grope blindly for the road to success? No, they decided on some objective first, then they set a goal and acquired the habit of saving for it.

Much that I read about the business of saving money puts too great stress on the importance of *starting* a bank account, and too little upon keeping it growing. There is a popular misapprehension about the number of Americans who own

bank accounts. If we believe statistics, a goodly proportion of the people are on the high road to fortune because their names head accounts on bank ledgers. It is preposterous to think that just as soon as a person *opens* a bank account with a dollar or more the goal of fortune is just around the corner. The plain fact is that millions of people, with a spasm of virtue, start to save but weaken before they arrive at the next corner. There are millions of savings accounts in the banks of the nation that have been only started.

A bank account won't grow of itself. It is neither a self-starter nor a self-winder. It cannot supply its own energy. It will not "make" anyone. It has to be made. A worthy bank account is the product of growing will power.

DO NOT LOSE SIGHT OF THE IMPORTANCE OF COMPOUND INTEREST

Money grows just as a flower or a tree does, if you plant your seed in fertile soil. Hoarded money is like a seed laid away in a box. It cannot take root for it has nothing around it to make it grow. Plant your seed in fertile soil, cultivate it and care for it, and you get a strong plant which bears flowers or fruit.

The power of compound interest is too little appreciated. All that many people see is that a dollar put in the bank earns but three or four

cents a year, that ten dollars earns but thirty or forty.

Let me show you what a marvelous thing compound interest is, when you take full advantage of it. In a bank which pays 3 per cent compound interest on savings, you can, by saving say four dollars a week, get $5,000 when you have put in only about $3,828. Then you can put your $5,000 in good bonds which will pay back the equivalent of more than four dollars a week, keeping your $5,000 principal intact. You begin, you see, by putting in your four dollars weekly; after saving $5,000 you begin to get back the same amount and keep your money too. Not a dreary prospect, is it?

Of the first $1,000 you will acquire in this way, about $58 will be interest earned; of your second thousand, about $170 will be interest; of the third thousand, in the neighborhood of $252; the fourth thousand $302, and to get your fifth thousand you will only have to save $610, as approximately $390 will be interest. And so, while you are contributing $3,828 of your own money, the bank pays you $1,172, or nearly 23½ per cent of the amount you will possess. Thus 3 per cent compound interest creates 23½ per cent of your capital. This gives you an idea of the way compound interest serves you if you make it a life habit to make it work for you.

You may ask, "How long will it take to accom-

plish these results?" If you deposit but four dollars a week it will take fifty-four months to get your first thousand; forty-eight months to get your second; forty-three months to get your third; forty-one months your fourth; and your fifth thousand will be achieved in only thirty-six months, a total of 222 months. "A long time," you say. "Eighteen years!" Well, what of it? You cannot stop time. You will be doing something else besides saving money all those eighteen years and you may as well have your money working for you.

In practice, however, it will not take nearly eighteen years to get that $5,000, for this is how it will actually work out. After saving four dollars a week for a few months it will become your habit to consider your expenditures carefully and to plan your savings. Pretty soon you will find it as easy to save five dollars a week as four dollars. Then, as your habits get a firmer grip on you, you will find yourself increasing your weekly amount. A young man who had succeeded in saving $1,000 said that the habit he had formed was worth many thousands of dollars to him.

As you master the art of saving you are sure to become a more valuable asset to the business from which you gain your living, and your earnings will increase. As your earnings increase you will have more to save, and as you save more it will become easier to do it. And so, while the

goal of $5,000, or whatever sum you may set as your goal, may look eighteen years away at the start, it will doubtless be reached in half the time if you master the art of saving and make a habit of it. Yes, in less than half the time, for you would hardly expect to adhere to the savings bank method all the way to your goal; you will combine saving with investment, and command, on the whole, a much higher rate than your bank will pay on your savings deposits.

NO MAN SAVETH TO HIMSELF ALONE

Through the saving deposits of the nation, railroads, traction lines and other necessary forms of transportation are financed. The banks invest a portion of their deposits in the securities of these enterprises. Likewise, necessary public improvements are financed through the combined small savings of the people. Streets are paved, sewers and sidewalks are built, schools, electric light, telephone and traction systems, waterworks, and other necessary public improvements are made possible through bond issues which are purchased by banks with savings deposits. Thus deposits are put at work community-building; they provide employment and promote prosperity.

When a bank or a Building and Loan Association lends to a worker money on a mortgage with

which to build a home, the funds come largely from the savings of other workers who receive interest on them.

The person who hoards his money keeps it out of circulation. Not only does he refuse to let it earn an income for himself, but he deprives the nation of a portion of its working capital. If everyone did that there could be no banks, and if there were no banks to gather the funds of the community together and keep them working for the common good, there would be less employment, for industry depends upon the supply of money in circulation.

The person who saves money and puts it out at interest not only helps himself but is a public benefactor. He helps make the wheels of industry go round, for all great enterprises are made possible through savings.

Out of nothing, nothing comes. If you never save anything you never have capital for investment or for profitable trading. You miss the thrill of creating an Independence. To put yourself in position to command opportunity when it comes your way or, better yet, to make opportunities for yourself, you must master the art of saving.

CHAPTER IV—The Fourth Principle

MASTER THE ART OF SPENDING

Limit your wants so as to increase your resources Do not buy luxuries while you can pay for necessities only Fit your scale of living to your purse Learn the science of buying. Put the home on a business basis Let there be complete cooperation in the family Have a budget Give allowances to the children Capitalize your economies.

Saving is an art acquired by practice; spending is more than that—it should be an exact science. Successful savers are straight thinking spenders. They work out a system of rules for reaching the end at which they are aiming. W. G. Sibley said:

> Those families who get on in the world invariably practice economies, accumulate property, establish incomes, and finally become more valuable to the business interests of their communities than those who spend for gratifications all they earn The spending family holds that it goes through life only once, that it is entitled to all the desirable things it can get, that the children must be kept happy and contented by purchased pleasures, and that parents must live in a style that will please the children, even though it requires the expenditure of every dollar earned Such a family does have a delightful time—for a while,

but not for long. The spending family finds itself slipping and wholly dependent on employment. There is no nest egg for the inevitable rainy day, no funds for the education of a promising son, no prospect for a dignified old age for the parents, no training in thrift or self-denial on which success for the children must rest.

When we bring a little straight thinking to bear, can we fail to choose the rational course? Every one must choose which of these two plans of life he will follow; no one escapes this fork in the road.

"How many things there are for which Diogenes has no need," said the ancient philosopher. We moderns say, "How many things we need," which, being interpreted means, "We must have them," and thus the money dribbles away.

Let us set up some rules to make our saving a real science, as the first step toward having something to save.

LIMIT YOUR WANTS SO AS TO INCREASE YOUR RESOURCES

There is the widest difference between wise spending and niggardliness. To live a life of deprivation in order to establish an Independence is folly and quite needless. Niggardliness has no place in the plans offered in this book. One can increase his resources substantially with-

out unreasonable hardship. As we discover the means for more abundant living we bridle our spending habits in order to acquire the wherewithal to get more, not less, out of life.

The person who has not his spending habits under complete control gives up his dollar with little thought. Buying without straight thinking, results in getting things we really do not need. Then, later, when there are things we want very much our money is gone. Almost anyone who has kept an accurate account of his expenditures for a year, in reviewing them critically, could put his finger on many which, clearly, were utterly useless and brought no real pleasure or profit. Avoiding that kind of expenditure will add substantially, in the course of a year, to the Independence Fund.

DO NOT BUY LUXURIES WHEN YOU CAN PAY FOR NECESSITIES ONLY

Adopt the common sense slogan, "Necessities first, then talk about luxuries."

Exactly what is a luxury? In the sense used here, it is something we cannot afford to own. For example, a dress which is bought only to hang in the closet, to use only on rare occasions and the purchase of which deprives the owner of comforts frequently needed. It is a human frailty to jump from necessities to luxuries in making pur-

chases; ignoring the long line of comforts in between. Buying fine linen to put away while everyday linen is much needed; keeping the best for company when there is a scarcity of things needed every day by the family, these are luxuries. In thrifty New England it was, and still is, the practice to shut up the most attractive "front" rooms in the house, theoretically to be opened when there were guests, the family meanwhile contenting themselves in the less pretentious quarters. Thus a portion of the home is made something of a luxury.

Not many years ago the modern home had, near the entrance, a reception room where costly stiff-backed furniture was placed, while friends were entertained in the livable, homelike part of the house. As a museum for high-priced furniture the reception room was a luxury.

Nowadays the modern home is built with a living room which is true to its name, and the saving made by omitting the luxurious reception room, with its furniture seldom used, goes a long way toward extinguishing the mortgage.

The dictionary defines luxury as a "free indulgence in costly food, dress, furniture or anything expensive which gratifies appetites or tastes; also a mode of life characterized by material abundance and gratification of expensive tastes." I suggest a simpler definition, "something we can't afford—yet."

It is impossible for any one but the individual himself to determine what is a luxury in his own case. It might help to ask the question, "Can I afford it?" or, "Will its purchase lengthen the distance to my goal of Independence?" Impulsive spending, so common to most of us, does not contribute to abundant living—it prevents or postpones it.

In discussing with her husband the satisfactory growth of her savings account, a woman remarked that she was making it her rule, so far as practicable, when she thought of buying an article, to wait three or four days before purchasing, meanwhile weighing the actual need of it. Then, if the need persisted and the article still looked attractive, she bought. She said that in practice her plan had saved her from many an unnecessary purchase. She thus applied straight thinking to her buying.

Another woman tells of a coat she saw in a store window and which, at first sight, she determined to possess. On the point of buying, a still, small voice said, "Wait until to-morrow." The next day she noticed some things about the coat which she thought would have to be altered if she bought it. It did not look quite so good that day. Another day, and she began to think that, after all, if she looked around, she could find a coat that would suit her as well, perhaps for less money. Subsequently this proved true.

The plan of thinking over and discussing proposed expenditures might well be adopted in every family and by every individual. It is the best check on the impulsive spending which, in the aggregate, makes heavy inroads on the year's income, and will do much to increase one's resources. Many of us are stampeded by bargain sales into buying because of the price, rather than because we actually need the goods. When we are "flush" with cash we are inclined to spend impulsively and as if we had assurance that money would always be as plentiful. Even if earnings are fairly steady, can we be reasonably sure that the demands on our purse will not increase heavily at times? If we do not limit our expenditures we cannot increase our resources; indeed, we are apt to find ourselves running into debt in the inevitable times of heavy demands. Then we draw on our future instead of providing for the proverbial rainy day. We cannot foresee sickness, perhaps an operation with trained nurses' and surgeons' bills, an unusually cold winter requiring extra fuel and clothing; nor can we anticipate accidents such as the breaking of a pair of eye glasses or of windows in the home, an automobile smash, theft, or the loss of gloves, clothing or other articles which must be replaced. Nor can we tell when prices on milk, meat, groceries, clothing or other necessities are going up, nor when the maid is going to demand more pay.

But we can always foresee the regular monthly bills; we can readily plan on such seasonal obligations as taxes, insurance premiums, winter fuel and the payments on the mortgage.

When you make that most important decision, to become independent, the first thing on which to concentrate is the limitation of your expenditures. Many people are hopelessly in debt because of their failure here; they buy blindly before making provision for the necessities which are constant. They do not plan their expenditures carefully; consequently, they are not certain what they can afford. The habit of blind buying makes impossible the realization of our dreams of Independence.

As our capital and income grow we can afford many things that are beyond us now. A $25,000 home and a $5,000 car are not luxuries for a surgeon of nation-wide fame whose fees have made him independent, but when he was a young and struggling practitioner such things were luxuries far beyond his reach.

Among the necessities are a place to live in, fuel and light, clothing, wholesome food, some kind of furniture, and a reasonable amount of recreation. Savings and life insurance must also be classed as necessities because they provide against emergencies.

Comforts would consist of a new rug or wall paper to brighten the home and make it a better

place in which to live, a phonograph, a piano, furniture a little more expensive than mere utility demands, theater tickets downstairs when you could see the same show for less money in the gallery. Electrical household devices, a maid for the housework, fine linens and napery, a radio,—these are "comforts" for some, but still "luxuries" for others.

The best way to determine for yourself what are necessities and what are luxuries, is to make a budget; and we shall have something to say about that further on in this chapter. You will go on blindly until you put down on paper just what your necessities are and how much of your income they require. It is plain that there will be absolutely nothing for luxuries until necessities are provided for. Being honest with yourself and with the world, is to pay for necessities first. Then, if there is not enough besides for luxuries, buying them obviously means that somebody else must pay for them.

If you resort to the plan of the woman who waited a few days before making a contemplated purchase, you will have time to decide whether it is a luxury or not. You can think whether or not something less expensive would answer your purpose as well, or whether something you already have might not be adapted to this need. Almost everybody wants an automobile and at some time faces the question of whether or not he can afford

one. If he cannot it is a luxury, perhaps a dangerous one. If he can afford it, he will get much enjoyment with it besides the great saving of time and convenience in getting about. The automobile adds to the daily accomplishment of millions of people.

Before the day of the automobile, workers in the city had little opportunity to enjoy the great open spaces of the country. Now a spin on country roads can be taken after the day's work is over. On the farms and in the villages, men and women toilers were restricted to a slow team in going about; life for these people has been immeasurably broadened by the automobile. After the day's work a social call on friends miles away is a matter of a few minutes' ride where formerly it was impossible because it took hours which could not be spared.

The automobile has given country folk the advantages of the city, and city folk the advantages of the country. The automobile is a great educator; it is welding Americans into a people; it enables the east and the west, the north and the south, the city and the country to touch elbows and understand one another.

The desire to own an automobile is natural. To buy one, blindly indifferent to the question, "Can I afford it?" is wrong. The person who drives a car and habitually owes his grocer or clothier a past due bill, who places his home in

jeopardy by mortgaging it to buy a car is misusing money. To buy a car on deferred payments when one already has difficulty in making ends meet is a procedure which sensible persons should not countenance.

The initial cost of a car is but one of the considerations. As soon as one buys a car he places a heavy burden of upkeep on his income; tires wear out, paint and parts deteriorate, and soon replacements claim a part of the owner's earnings. Fuel, oil, and taxes add more expense; insurance is a large item, and if one does not carry it he places his property in jeopardy through his liability in case of accident. One who cannot insure himself against liability, fire and theft, certainly cannot afford to own a car. The wider circle of travel and the new contacts one has introduce other elements of outlay.

When the person with a limited income buys a car he should face the fact that his purchase, and the delights that it will bring, will either plunge him into debt which he may not be able to pay, or else require him to cut down on clothing, perhaps food and entertainment.

The automobile owner who desires to keep his expenses within reasonable bounds can find a hundred ways to save wear and tear on his car. Much is published on this subject in the automobile pages of the papers and in motorists' magazines. Too many car owners get into the habit

of using their cars for short errands on which they might better walk. When young members of the family have the privilege of using the car they are apt to consume fuel going hither and yon in a fevered desire to keep moving.

When horse sense is introduced into the use of cars, when owners figure carefully the cost per mile of operation and then bear this cost in mind, much needless driving will be eliminated.

FIT YOUR SCALE OF LIVING TO YOUR PURSE

Pay no attention to what your friends and neighbors buy. They may be "keeping up with Lizzie." They may be spending ahead of their income or they may have more income or fewer obligations than you. Spending freely makes an outward show of prosperity, but many people who seem to have everything they want have loads of grinding debt also.

A young clerk asked his employer for a raise. "I'll tell you where your next raise is coming from," replied the employer. "You are wearing a silk shirt that cost eight or ten dollars. Look at my shirt; it is good enough for business. I paid three-fifty for it. Your fancy shoes must have cost fourteen dollars. I got my good quality for ten dollars. Those socks you have on cost twice as much as mine. Your next raise will come from dressing according to your income. If your

social habits are as extravagant as your dressing habits, you can get another raise by trimming off some of those frills. Raise yourself to common sense living and give yourself a chance to become worth more to the house."

It is a temptation to travel along with your friends and do as they do, but if you lack the income, you are borrowing trouble heavily when you try to imitate people who have more than you.

Many women and girls who work in offices, stores and factories overdress. It is a common sight for a girl to appear at work in a $350 fur coat bought on the installment plan, when if she were taken ill and had to go to the hospital she would be obliged to depend on others to pay her bills. Many an employer who never owned an overcoat costing over $150 has a number of girls in his employ who wear to their work fur coats which cost several times that amount.

Flimsy dresses, often seen in business offices, are quite out of place there. It is not uncommon for men to dress more expensively, to smoke better cigars and to spend more for pleasure than do their employers. To indulge in these practices is merely advertising to the world that there is no desire for Independence.

You can improve your standard of living as your earnings increase; when that improvement is based on substantially increased earnings, a

sense of security as well as satisfaction comes with it.

This classic from W. G. Sibley is a nugget of wisdom:

Make no mistake. The habit of thrift robs one of no proper pleasure, clouds no worthy outlook, narrows no life, hampers no laudable ambition. On the contrary, it adds immensely to the joys of human existence, widens every prospect for usefulness and honor, broadens the horizon of opportunity enormously, and makes possible the realization of lofty aspirations. And with it goes from its humblest beginning a contentment, a sense of well-being, a consciousness of right conduct, a confidence in both present and future, and a certainty of fine success, which no prodigal, no waster, no idler can ever feel or know.

LEARN THE SCIENCE OF BUYING

Study values and buy when and where you can get the most for your money. The easy buyer is quickly spotted by unscrupulous vendors. One who makes it clear when buying, that prices are carefully considered and good values are demanded wins the respect of sellers.

E. St. Elmo Lewis, a master salesman, said that what we Americans need to cultivate is the art of "buymanship" Mr. Lewis himself has done much to make salesmanship an art.

Newspapers and magazines are filled with advertisements designed to induce the public to buy,

and with temptation at every hand it is indeed important to become a proficient and restrained buyer.

The busy housewife finds it convenient to telephone her orders for groceries and meats, and it would take much of her time and energy to go in person. In telephoning, however, she is at the mercy of her dealer. She does not look over the goods and make her own choices. Where she cannot go to market regularly, an occasional visit and personal talk with the man who takes her telephone orders with a word of warning on occasion to indicate that she is not to be imposed upon, will impress her dealer. Moreover, this would give her a better idea of the range of stocks, of lower priced substitutes, and, in the case of meats, of the varieties of economical cuts. Where a housewife does all her ordering by telephone and accepts without question whatever is sent her, it is human nature to assume that she is a careless buyer, and to treat her accordingly. Too often foodstuffs described in glowing terms over the phone by a clerk, do not turn out as represented. Often shortages are not discovered by a careless maid who may not even know what her mistress ordered. Often too there is no attempt to check up goods with the sales slip, and many a woman, asked what she is paying for butter, beefsteak or bananas is unable to state the prices. Our grandmothers who went to mar-

ket with basket on arm would be horrified could they return and see the loose buying which is done by present day housekeepers. Careful buying is based upon knowing what you are getting and keeping posted on values.

A study of food advertisements, featured in so many newspapers once or twice a week, gives an excellent idea of current prices; a comparison of these prices with those on sales slips would be illuminating to many housewives.

When it is the practice for a maid to do the ordering, a dealer who is not conscientious will quickly discern that the person who pays the bills is none too careful about making purchases. When children hear their mothers telephoning orders for goods they get the idea that anything they want may be had simply by telephoning for it. They see no exchange of money for merchandise and they have no knowledge of the monthly bills which come in. The fact that money must be worked for, before the bills can be paid, is a matter usually foreign to their thought.

Hard on the neighborhood grocer as it may be, the cash-and-carry system affords the family the opportunity to make headway toward an Independence, provided the savings effected here are not spent elsewhere. Quantity buying of staples, investigation of the comparative food values and prices of different brands, taking advantage of days on which special offerings are made—these

give opportunity for the skill of the home buyer; the cash rewards of such skill are no mean addition to the family's permanent capital.

PUT THE HOME ON A BUSINESS BASIS

If the business of the home is run in a careless, slipshod manner, it will require more toilsome years to reach the goal of Independence, or it may never be reached. Some household managers are naturally businesslike, while others are far from it. When a woman has the desire to do her share toward winning a family Independence, it is within her power to improve household methods.

The income earned in office, store or factory is spent by the home manager. Fully seventy-five per cent of the family purchases are made by the housewife. If it is necessary to run a business which supplies the home with funds, in a businesslike way, it is equally important to put the home on a business basis. There are unlimited opportunities nowadays to study home economies. Newspapers have departments devoted to this subject conducted by experts. Magazines which offer a liberal education in home management can be bought for as little as ten cents. Local women's organizations give courses on the subject. The government issues many bulletins which may be obtained for a few cents each.

Becoming proficient in the art of economical home management is a matter of willingness to put due mental and physical exertion into the work. If a woman has the right to expect her husband to provide for the home, she should be equally interested in learning the fundamentals of economical home management.

LET THERE BE COMPLETE COÖPERATION IN THE FAMILY

When husbands and wives make important purchases without consulting each other, embarrassing obligations are likely to pile up on them. When two people spend one income it is quite clear that they should coöperate closely. Investigations made by the officers of a great labor union revealed instances where obligations had been incurred by husband and wife independently, actually calling for more than the income, leaving running expenses entirely out of the calculation. These are extreme cases but they emphasize the necessity for coöperation.

A bank employee was having a strenuous time making ends meet, and his wife had lamented her inability to buy a much-needed dress. It did not promote harmony in the family when a box containing thirty volumes of an encyclopedia was delivered at the door. The husband had submitted to the blandishments of a clever salesman.

The purchase was desirable in one sense, but common sense and a proper consideration of family needs would have postponed it until a more favorable time.

A husband and wife of my acquaintance handled the matter of family spending in this unique way. Let the husband tell it:

We have a board of directors up at our house. It consists of two people—wife and myself. This board has managed the family business pretty well, too. The dividends we are earning, over and above my salary, would keep the wolf from the door even if the salary stopped.

The idea grew out of a little experiment we made during the two years we were engaged I wanted to save enough to furnish a home. She wanted her trousseau and—well, you know a woman wants to start off with plenty of attractive clothes.

So we talked a good deal about putting money in the bank. Both of us had been pretty easy spenders

We agreed that each would consult the other before making any expenditure over $10, except for actual personal necessities. The plan worked so well the "board of directors" has continued it since our marriage, even to clothing.

We also agreed, at the beginning of the experiment, to buy everything for spot cash. We reasoned that we would have time to think over our purchases while getting the money with which to make them. We have noticed that people who "charge it" liberally do most of their thinking afterward.

Well, we've kept that up, too, and are one of

the very few couples of our acquaintance whose married life has not been clouded by debt.

Proposed expenditures always come before the "board." We have tried to make an estimate every month of the amount our plan has saved us, declared a "dividend" of that amount and put it right in the bank at interest.

By doing teamwork of this kind we have kept our finances so well in hand that depositing regularly hasn't put any great strain upon us. The wife does the banking. She is treasurer and cashes the pay check. And we have no bill collectors after us.

Once or twice we have come very near investing our savings in some attractive looking schemes. One was in an orchard out West Another was, of course, an oil lease proposition, but the "board of directors" had special meetings, talked it over and decided that we wanted our money where we could get at it Some of our friends worked hard to get a little surplus and then put it into some schemes which have paid no dividends, and hopelessly tied up money. When I look around and see how many people get stung by strangers I feel like giving our "board" a vote of thanks.

We have $4700 in the bank, a nice little bunch of Liberties, and everything you see, including the house itself, is paid for.

Yes, team work pays; if a man isn't lucky enough to have a wife or best girl to help him "direct," he'd better call in his sister or his mother. This plan has made a regular financier of the wife.

HAVE A BUDGET

Some one has described the budget as "telling your money where to go instead of wondering where it all went." If you keep a budget you will not need to ask the question, "Can I afford it?" The budget will tell you.

Making a budget is practice in straight thinking. It requires a little experimenting, a few tests, to adjust one to your own circumstances. First, you plan one tentatively and try it for a month or two; then you readjust it according to your experience. It takes a full year's trial before you can make a workable budget. There are some expenses which occur annually, such as fruit and sugar in the summer to make food which will be consumed in winter. The summer months do not require winter fuel. Fire and life insurance premiums and taxes, and other extraordinary expenditures should all be taken into account and money saved for them weekly, so as not to put too heavy a burden on the purse at any one time. Doing this will demonstrate the value of adhering to a budget.

If you keep a budget and plan your spending so as to have something to save and invest, you will increase your financial efficiency in two ways: you will become a better business person, and better able to calculate intelligently for your

Independence. Being relieved from the worry which always comes with floundering in debt, you will be able to do the clear, straight thinking necessary in the battle for Independence.

Whether you keep a budget or not, it is important to keep a cash account. A five cent book will answer the purpose. If every expenditure is set down in this book you can tell at the end of the month just where your money has gone. You can tell also just how much of your income, if any, was foolishly spent. And you will get an excellent idea of what things are really necessary. A cash account, though a poor substitute for a budget, will be an excellent check on unwise spending. But why not go whole-heartedly into the matter and keep a real budget? The matter of becoming independent is one into which you must put your whole heart. Halfway measures will never get you there. When you begin to see the substantial results gained you will never want to give up your budget.

To start a budget make an estimate of the amount you will spend and the things for which you will spend it, take out the amount you ought to save and then adjust your budget to the balance.

Budget making has received a great deal of attention from experts employed by the government, by banks and others, and many helps are available to those who wish to study the subject

thoroughly. In the Appendix you will find a list of publications issued by the government on this subject, also a list of books which have been written on this and kindred topics.

Many authorities on family budget making have published their ideas as to the proper allotment of income. These are shown in many of the budget books which are published. In some localities banks give budget books with this information, free to their depositors, or you can buy a blank book for a few cents and rule it to suit your own needs. This, however, will lack some of the useful information given in published budget books. You can buy complete budget books at book stores.

While budgets suggested by authorities are worthy of your careful study, no one but yourself can make one to fit your individual case, for circumstances vary, even in the same family, from year to year. You are under no compulsion to allot your income exactly as these various authorities suggest. Obviously, a budget which provides fuel for a cold climate would need some readjustments in a warm one. Milk, butter and eggs cost more in a large city than they do in a small town. Clothing varies in different climates; even appetites do.

The following is the way two families living in the Mississippi Valley arranged their budgets for 1925:

BUDGET FOR FAMILY OF THREE

(Father, mother and child under twelve)

Income	$117 00 Monthly	$1,400 00 Yearly
Savings	$10 00	$120 00
Food	37 00	440 00
Shelter rent or taxes and upkeep, fuel	25 00	300 00
Operating	17 00	204 00
Clothing	18 00	216 00
Advancement	10 00	120 00
TOTAL	$117 00	$1400 00

BUDGET FOR FAMILY OF FOUR

(Father, mother and two children under twelve)

Income	$200 00 Monthly	$2,400 00 Yearly
Savings	$14 00	$168 00
Food	60 00	720 00
Shelter: rent or taxes, upkeep, fuel	46 00	552 00
Operating	34 00	408 00
Clothing	39 00	468 00
Advancement	7 00	84 00
TOTAL	$200 00	$2,400 00

It is impossible, obviously, for any theorist or any teacher of home economics to make hard and fast rules which apply universally. Nor is it a baffling problem for the individual to make a budget, as detailed as he finds useful, to fit his own conditions.

A few general rules apply to all budget makers: Not more than twenty-three per cent should be

spent for shelter, seventeen per cent is a better proportion. One who rents should include fuel with shelter; one who owns his home should include taxes and fire insurance in shelter. Food should not exceed thirty per cent of the income; operating expenses about fifteen per cent. This leaves about thirty per cent to be divided among savings and advancement.

The fact must be accepted that if you save at all you must save first, and, if possible, make it a point to save at least ten per cent. If you can save more, all the better. Provision for saving should be a principal objective in arranging the budget.

When first studying a budget people often exclaim, "I cannot get along on that sum,"—proof enough that they are not living within their income; because, if the family assets have been set forth honestly, it is what they must live on if they are to remain solvent.

In preparing your own budget, it is wise to set aside a certain time regularly for its making, as early in the year as possible.

I cannot recall who said, "If you have any money at all you can save money just as surely as trains run by time-tables. Run your life like a railroad system. Plan your trains, fix your destination; fix the time of departure and the time of arrival at certain points. Plan, schedule, and despatch. Plan how much you can save each

month on your income. Schedule the time of payment, every day, week, or month. Your plans and your schedules will come to nothing if you do not despatch. Your budget helps you despatch."

You must experiment. You may find it necessary to draw the lines a little tighter here and there. Like anything worth while, budget making and budget keeping improve and grow easier with practice. To keep a budget requires a good deal of stick-to-itiveness. Some make the mistake of starting too elaborate plans and soon find it irksome to keep at it. Then the splendid work of putting spending under control goes by the board.

A budget book also serves the purpose of an account book. With a well kept budget book you can see ahead more clearly. You can tell whether your efforts are adequate for meeting the problems ahead of you. It will be interesting, too, to make comparisons of each month's expenditures with the corresponding month a year ago, how your fuel and gas bills compare, how much more or less your food or clothing costs. That will help you also in determining to what extent you can improve your scale of living as your income increases. It will keep you from going too fast, for looking back at the operating costs of past years will keep you in check. Think how utterly impossible it is to consider these

things intelligently if one has not the slightest idea how past income has been used.

Your budget will show you whether you are getting your expenses better in hand as your experience grows. If you want to stop the leaks in your income, keep on intimate terms with your budget book. If you want to know how fast you are going ahead, consult your budget book. Have a time every day to make your entries and allow nothing to keep you from making them. Consider the keeping of your "books" as important as getting your meals. Your budget book will prove one of the best helps in forging ahead to Independence.

Here is the experience of a woman who put her home on a business basis. "We never, never realized how many leaks there were in our household expenses until we began budgeting. We tried to be economical but sometimes spent too much for some things, then had to do without others. Insurance, taxes, and such obligations usually found us unprepared. At the end of the year we had nothing laid away but were deeply in debt. When we figured how we had used our money it was hard to believe we had spent so much in uncertain directions. Then my husband and I worked out a budget plan. We apportioned certain items under general headings, such as savings, food, clothing, taxes, health and recreation. Then we had a column for wiping out

old debts which we planned to reduce monthly. Living within the budget was not always easy that first year, but at its close we had all debts paid and a small start in savings. We could never have done it without a budget. Now the budget plan runs smoothly; we have used it for five years and would not be without it. We always know where we stand. Careful management enables us to have many things which we used to deny ourselves, and to increase our savings and investment budget each year."

GIVE ALLOWANCES TO THE CHILDREN

One of the best ways to teach children to spend wisely is to give them an allowance and require them to keep strictly within it. If children are permitted to spend with a free hand and come back for more, they will grow up under a heavy handicap.

As soon as they are old enough let them begin to buy for themselves, simple things first. Let them learn at the proper age to buy their clothing. Make their allowances large enough for it. If they make mistakes, as they surely will, they will discover the need of careful buying. If they go beyond their allowances and have to do without new articles when they need them, the lesson will help them all their lives. If they spend their allowances for luxuries, and then pay the penalty

by wearing old clothes longer, they will be more thoughtful in the future.

Children with allowances will also take better care of their clothing. Girls will learn that they can have more pretty things if they make them themselves, and will save for the purpose of buying what they long for. They will also learn to watch for bargains, study them and discern qualities and values.

CAPITALIZE YOUR ECONOMIES

Your object in mastering the art of spending is not one of mere discipline. If you are going to develop your powers of self-restraint and practice the arts of economy, you want rewards to show for it. You want to be able to walk up to the bank window and draw your pay in cash.

You are limiting your wants in order to enlarge your resources. You want those resources to be in cash which is the instrument of Independence. You are foregoing some luxuries for the same reason. You are resisting temptations to buy beyond your means and are making the science of buying a definite object. You are getting the utmost value from your purchases and are putting bookkeeping sense into the control of your expenditures. All this will show a handsome profit in cash, which is the symbol of your success as a manager.

But you must be sure that you *do* retain the proceeds of your economies in cash. There will be a great temptation to spend the money you have thus earned through self-control. You will defeat your purposes if you merely save something here to spend carelessly there. Your real purpose for economizing is to enable yourself to create capital. So, as you economize, capitalize your economies.

One purpose of this book is to show you how to care for your money after saving it, and how to increase it by turning it over in profitable trades; how to make paying investments with it. How not to lose it in unfortunate ventures. You will acquire this money by cultivating good saving and spending habits. Your ultimate success will be proof of your ability to think straight and plan, to save habitually and to spend wisely, and finally, to make profitable use of the savings which you capitalize.

CHAPTER V—The Fifth Principle

GUARD AGAINST WASTE

Inspire children to practice economy Turn home wastes into savings. Let the head of the family put a check on waste. Help curb industrial waste. Stop money waste. Do not waste capital by hoarding it Conserve health. Get the habit of redeeming waste and turning it into capital

While yearning for riches, millions of people wantonly destroy the things of which riches are made. They cast coin after trivialities which are soon forgotten. They throw into scrap heaps treasure—things which have performed but half their possible service. "Is it worth while," we ask, "to save a piece of string or to take the trouble to turn off a light when not in use? Is not the saving trivial?" Yes, the saving is trivial and perhaps in itself is hardly worthwhile, but it does pay to *get the habit* of setting a watch over waste; and habit is born of little acts which are repeated until they become automatic.

If you make it a habit to control every form of waste, it may make the difference between dependence and Independence. For, if the habit governs your life, it will open many avenues of

saving and profit. Turning off a light once, or saving a piece of string once, will cut little figure in your fortune but getting the habit of stopping every possible leak may prove the foundation of your Independence.

Many of us think it is beneath us to consider trivial wastes, but if what the average American wastes in a lifetime could be coined into money, it would be no mean heritage for his family. It has often been said that a European peasant could live better than he does on what an American throws away. Americans who, in touring Europe, observe the customs there, are profoundly impressed with the inborn thrift of Europeans.

Habitual thrift in materials, inculcated early, will enrich any life.

INSPIRE CHILDREN TO PRACTICE ECONOMY

Commencement oratory is full of poetic suggestion that the graduate is embarked upon the "sea" of life. The hard-headed observer is more inclined to look upon the graduate as one who has been kicked into the water and told to swim. Why not teach him to swim before he is ducked?

Children of the well-to-do are living in a pathetic riot of luxury and waste. The boy of sixteen who is allowed to race around in his father's automobile, burning up gasoline, is not

laying the foundation of successful manhood. It would be well to put such a boy on a mileage allowance. If, after he has thoughtlessly exhausted his allowance, he wants the car to take a girl to a party, it would be a wholesome lesson if the father would say, "No, son, you knew the party was coming and you used up your mileage. Now take your lesson like a man, and walk."

Children learn their lessons of economy in two ways; by enjoying the reward of their economies, and by enduring the distress of their own unthrift.

Many children ride to school on the street car, when walking would be better for them. It would be good for any boy or girl to do a bit of walking every day, for the times demand a hardy race.

One of the most discouraging aspects of child life is the marked absence of training in money matters. The rich lavish money on their children and those in lesser circumstances try to vie with them. A sure way to injure a child and lessen his chances for a useful life is to give him all the spending money he wants, and unrestricted freedom in "charging it."

Education should always begin in the home. Salvaging waste can be made an interesting game. Make it clear how, in conserving materials, two objects are served. One is the saving of losses which in time mount up into a large

aggregate. For instance, a running faucet would not cause much of a loss in a short time, but carelessness of this kind indulged in for a year would amount to a sum worth saving. Develop the imagination of the children by showing them that it costs money to bring water into the home. It requires coal to generate power to pump it, perhaps it must be filtered. These costs might be enumerated and then it might be shown how taxes would be decreased if all water users took care not to permit water to run needlessly.

The other object is the cultivating of an instinct to stop waste wherever it is seen. The person with such a habit thoroughly ingrained is the one most likely to gain and keep an Independence.

Other wastes such as those enumerated later may be introduced into family discussions so as to give the subject concrete application, instead of leaving it an abstract theory.

In school, if there is not time allowed in the program for definite instruction on this subject, innumerable opportunities will come to the teacher to call attention to preventable waste. Materials furnished free to children, at public expense, are often used wastefully and it needs no place on the program to point many a moral here in the course of a day.

One of the incongruities of our educational system is that while, theoretically, the child is

being prepared in school for a life of usefulness, few schools put any stress upon laying the foundation for financial efficiency. Young people come to the serious period of life absolutely unprepared, financial incompetents.

It is high time that educators turn more attention to thrift training. Every school child should be taught the rudiments of finance. There is no end of thrift *talk* but no beginning as yet of systematic thrift *training*. The school savings bank operates successfully in a few places, but that is only the primary grade in thrift and finance. Moreover, millions of people have never heard of school savings banks.

I have asked educators why schools offer so little instruction along these lines and have been told that such training belongs to the home. Very well, then, what agency is training the parents?

William E. Knox, President of the Bowery Savings Bank of New York, wrote this:

> New York City spends $65,000,000 a year for charity. For instruction in practical principles of personal economics it spends in its school system practically nothing Virtually every object of charity and every case of dependency could be traced back to the failure of the school house to teach the value of money and the importance of saving
>
> When public education teaches students to manage their personal affairs prudently, and gives them an

understanding of the value and proper use of money, when employers require that every person in their employ learn to save as well as earn, and when banks recognize their full responsibility as the social economists and personal finance advisers of their communities—when these things prevail, then we will attack economic folly at the source.

TURN HOME WASTES INTO SAVINGS

Think of some of the wastes which are considered lightly in the homes of the nation. Fuel is not completely burned and much good fuel goes into the ash heap. Open drafts are forgotten and an unnecessary amount of fuel is therefore consumed. Houses are often overheated, causing not only fuel waste, but health waste. Old newspapers and rags are destroyed, and metals with commercial value are scattered about everywhere. Salvage of this material would not only improve appearances, but would redeem things of actual value.

There hang in the closets of the nation's homes, millions of dollars worth of half-worn garments Men discard partly worn suits and shoes, taking little account of what the cleaner and presser can do for clothing, and what the mender can do for shoes. After one has reached the goal of Independence he can well afford to clothe himself in the latest fashion. One cannot afford not to dress as well as his income will

allow—"the apparel oft proclaims the man"—but while careful dress is the insignia of prosperity, overdress is the insignia of unthrift.

The dry cleaner and presser can work marvels with a suit of clothes or with a dress. Wrinkles, bagginess and spots are not indications that fabric is worn. I know a "good dresser" who buys the best materials. Some of his friends think him extravagant, but with the aid of a neighborhood tailor he makes his suits last several seasons, while his friends, buying, as they think, cheaper clothing get but a year's wear from suits and rarely look so well dressed.

Laundries renovate neckties which look done for, at a cost of a few cents each. Here again, the real economy is in buying good ties and keeping them cleaned and pressed. What man or youth does not accumulate large numbers of neckties and buy more when his supply gets wrinkled and soiled?

I had a pair of outing shoes, the uppers of which had become separated from the soles. The leather was hard and dry. I had decided to purchase a new pair, when it occurred to me to inquire of a shoe repairer whether these were past redemption. The result was that an expenditure of seventy-five cents and the application of a cent's worth of neatsfoot oil, restored the appearance of the old ones and put another season's satisfactory wear into them.

It would be a valuable lesson to every family, and amusing as a game, to assemble all the unused, discarded clothing, hats, shoes and rubbers in the house and make a thoughtful inspection of them. Can they be renovated and altered so as to give further use? What can be remade for other members of the family? Can they be turned to other uses? In what ways can their value be exhausted?

Many men buy hats, wear them for a season, and then cast them off for new ones. A hat of good quality can be cleaned and reblocked making it nearly as good as new, and good at least for another season. I know a man who buys hats of high quality and has them renovated at least twice. Then, when he gets a new one, he keeps the old hat handy for rainy weather and for sport wear. Clothing put away in the home is often forgotten, a refuge and breeding place for moths. More than once I have bought a pair of rubbers or a new straw hat, to find later some perfectly wearable articles tucked away in unremembered places. In almost every home really valuable articles have been put away, with the intention of using them later, and have then been quite overlooked. An attic, trunk, and closet inspection will bring to light many usable articles and result in cash saving for the Independence Fund.

When clothing is past wear it still has its uses. Our grandmothers made beautiful rugs, quilts

and other useful things from old clothing. The art of rug making, now happily restored, contributes much to the attractiveness of the modern home. Many women are finding in it remunerative employment or a useful pastime. Nowadays woolen carpets, rugs, and clothing which seem entirely worn out are being recarded, dyed the desired colors, and made into durable rugs of any size. This has become a great industry.

In kitchens there is often ruthless disregard of cost and value. Gas ranges are allowed to burn without planning for their full use. Portable ovens covering but one burner can now be bought for cooking several things at once. There are saucepans in which as many as four vegetables can be cooked at one time. The fireless cooker is a great saver of fuel. Gas can be saved by lighting it after the kettle has been put on, and by keeping the flame at just the right height. When a liquid begins to boil lightly you cannot get it hotter or make it cook faster by turning on more gas; the extra heat only evaporates the liquid faster. Other saving can be effected by using burners or saucepans of a size not too large for the purpose.

Wastes which swell the aggregate are caused by throwing out grease which would make excellent soap; by leaving soap soaking in dishpans, wash basins and wet soap dishes. In my home a soap dish happened to be directly under a faucet where

the soap caught all the drip. After the dish was moved the soap lasted twice as long as before.

When refrigerator doors are left open, ice melts faster and food spoils. When food is allowed to accumulate in the refrigerator much of it molds and has to be thrown out. Left-overs, instead of being utilized in appetizing dishes are thrown away. The American garbage can is a national disgrace.

Menus planned without reference to food values are detrimental to health, as well as to the family purse. Thought is too often given to tickling the palate, both by the cook and the eater, rather than providing the degree of nourishment required. Butter is often lavishly heaped into cooking when substitutes would do as well.

On the dining table many of the evils of extravagance are often displayed. Plates are heaped with an excess of food and much is left uneaten. Food is bolted with the consequent tendency to an overplus, and at the cost of health. Extravagantly acquired waistlines are seen everywhere. The old Puritan idea of "no dessert unless you clean up your plate," might well be revived.

Descending into the cellar we find more to give pause for reflection. The innocent looking ash heap, if sifted, will redeem nuggets of valuable waste. A glance into the furnace may disclose

flues covered with soot, which is a non-conductor, —many people do not know that this is the reason why fires must be forced to get sufficient heat.

In many storage closets canned foods are allowed to age and spoil. The thrifty housewife should keep account of her stock and see that it moves. Rats and mice work havoc with some supplies, but vermin are not tolerated in families planning for an Independence.

Out in the back yard we may find a large square of unused space which, if turned into a garden, would not only be a source of healthful exercise for members of the family, but would also furnish green vegetables in season and more to can for winter.

We may also find in the back yard neglected tools, their value rapidly decreasing through exposure to the weather. New tools are often bought when old ones might be repaired. I once discarded a wheelbarrow which I thought had served its day. My thrifty neighbor repaired it and used it for several years. When I bought a new lawn mower he repaired his and laughed at my extravagance.

While we are in the back yard it might be well to look into the garage. Motor tools, if not cared for, are apt to be lost or stolen; car equipment, not in use, may be under foot and misused. Oily rags invite fire. The working parts of the car

may be subjected to unusual wear by lack of proper lubrication, and the paint deteriorate under a coat of dried mud.

A philosopher said, "There are huge forest fires burning in the nation's back yards every day." What he referred to was the destruction of waste paper which, if converted back into fresh paper, would save the denuding of thousands of acres of forest.

We should get a vivid picture of the effects of metal waste, if it were possible to estimate the number of tons of waste metal that lie in the back yards of our cities and on the farms, and the amount of labor incurred in digging the equivalent in ore and smelting it, as well as the amount of fuel consumed in the process. To this might be added the transportation cost, fuel, labor, and equipment in distributing this metal. Such a study, intelligently made, would be an excellent object lesson for Americans.

Think of the vast amount of linen papers of high quality that could be made with the rags which we destroy. Even the people who do not need the income they might receive by redeeming their share of these wastes would contribute to the conservation of national resources by cooperating in converting them into tangible assets.

In a certain city the children bring to school, in the spring, the winter's worn-out rubbers; a single pair of worn-out rubbers is a trivial asset

indeed, but a heap of them collected by school children has a large commercial value. In another city the waste oil from automobile crank cases is turned into a civic asset.

I hope to see, some day, a National "Save Waste Week." If the school children during that week are gatherers of waste paper, rags and metal junk, there are few cities which could not salvage enough to keep the public library well equipped with books.

Every member of the family needs to guard carefully against the wastes caused by forgetfulness. Property is left on trains, in public lavatories, in hotel rooms, on street cars, in depots, school and theater dressing rooms. The national bill for this sort of wastefulness is prodigious. Another preventable waste comes from reckless handling of all kinds of personal property. Breaking of dishes, destruction of property by careless boys and girls, unnecessary wear on clothing—all have an intimate bearing on family financial progress.

LET THE HEAD OF THE FAMILY PUT A CHECK ON WASTE

While the man of the family is largely absolved from blame for much of the wastes of the home, he cannot be relieved so easily of his responsibility for the wastes of his business.

He gives signs of thoughtlessness when at his luncheon he orders expensive food, eats more than he needs, leaves much of it untouched and tips the waiter too liberally. If he wears his street coat in the office, although an office coat would be more comfortable, he lessens the life of his business suit.

Consider for a moment, the wasteful laxity in an average business office. Careless or half-trained stenographers throw away expensive engraved or printed stationery. Paper clips, rubber bands and other materials are used as though they cost nothing. Dust is allowed to gather on valuable articles; machines are not properly lubricated, and, as in the home, valuable supplies are put away and forgotten. What has all this to do, you say, with building an individual Independence? The man who runs himself and his business so loosely, as many do, puts off his own Independence, and the example he sets has an untoward influence on many subordinates who miss the discipline they need in shaping their lives thriftily and efficiently. These things have an intimate bearing on our subject. Business offices are the only training schools which many heads of future homes, and many of the coming industrial managers attend. Employers, therefore, have a heavy responsibility.

It would require a long recital to recount the rules in numerous trades which restrict produc-

tion and cause duplication of effort. The vast losses of wages caused by strikes and lockouts, directly affect the earning and saving power of individuals and react pitifully upon labor itself.

HELP CURB INDUSTRIAL WASTE

The wastes in industry are of such vast proportions that they are the subject of many volumes, written by investigators who have given the topic long study. One could gather a "five-foot shelf" of books on industrial wastes, some of which are extremely technical.

The Department of Commerce with Herbert Hoover as Secretary, has inaugurated an extensive nation-wide movement for the elimination of industrial wastes; enormous savings, running up into hundreds of millions, have already been effected. The work is too extensive to elaborate upon here.

You may say that I am digressing from the subject of creating an individual Independence. The prosperity of the nation is the sum total of the prosperity of its individuals. Unthrifty individuals cannot make a thrifty nation, and the individual cannot prosper unless the nation does. Moreover, each one of us has his civic responsibility and one way to meet it is to put his shoulder to the wheel and help curb the industrial wastes wherever they occur.

STOP MONEY WASTE

Thoughtless spending is the great obstacle to fortune building. If we are a nation of wasters of food, time, materials, and national resources, we are, in even greater measure, a nation of money wasters. The younger generation is growing up in the sublime faith that whenever it needs money some one is going to supply it.

The difference between the dollar wasted and the dollar saved is that one gives satisfaction once, while the other may give it for a lifetime, and then help take care of dependents. One cannot save enough this week or next to cut much figure in a fortune, but he can fritter away enough every week in his life to build, in the aggregate, a very tidy estate.

The middle-aged man, mindful of his past, urges you not to waste small sums; he tells you with a sigh of regret, what he might have accomplished had he realized years ago the multiplying power of trifling sums.

Consider a nickel! It is a good year's earnings on an invested dollar. When you part with a nickel do you realize how few, put together, would earn a nickel every year? I do not know who said:

> The path of every human life is strewn with the wastage of prodigality. Many lives drawing to their

close are mocked by memories of plenty scattered during thoughtless years, heedless of the inevitable day of need. Could but the money spent for trivial things in younger days have been conserved to buy comforts which mean so much to age!

That is the lament of the fifty-four per cent of men who, at sixty, are penniless and dependent on others.

Carrying about in pockets more cash than is needed is first cousin to hoarding. It is betting high that somebody will not get it by hook or crook; it is carrying hard-earned cash in an easily spent way. Did you ever see any one with a successful savings plan that centered in a pocketbook or in a hiding place?

The most sensible thing to do with a fat pocketbook is to empty it at a bank window. The owner of a pocketbook kept lean in this manner betters his chances to acquire weight in worldly possessions. Money, like people, is safer when put at profitable employment.

There is this difference between fat pocketbooks and savings pass books; pocketbooks are made to spend from, pass books to save in. When one carelessly spends from his pocketbook he usually does his thinking afterward. Well filled pocketbooks scatter wealth; savings books enrich their owners.

Motion pictures, vaudeville shows, baseball games, pool, billiards, and other forms of enter-

tainment are all good in themselves, but they can be overdone. One man comes out of a vaudeville house and says, "I got two dollars' worth of fun out of that forty cent show; first one I've seen for a month." Others coming out of the same show look bored, perhaps because they take in every change of bill making it difficult to enjoy the performers of medium talent; their jaded spirits demand headliners in every act. They see so many shows that they get little fun out of a forty cent ticket. They know they will be bored but keep going from habit.

To enjoy entertainments keenly one should go seldom enough to sharpen the edge of pleasure. He will thus spend less money and get, in the end, as large a measure of enjoyment. They have the right idea who select beforehand the shows they will enjoy most. When the public learns to select good shows as they do good shoes they will discourage the great national waste of writing, staging, and producing poor ones. As the "movie fan" who wastes many hours a week with trashy pictures becomes imbued with the purpose of creating an Independence, much which he now fritters away on this pastime will be coined into capital.

Much excellent entertainment can be found cheaply at home in the company of good books and magazines. The public libraries place the world's best literature at the disposal of every-

body. As the process of winning an Independence goes hand in hand with self-improvement, the person who is in dead earnest will hasten his progress through the companionship of good books.

What children learn in their first ten years about money waste will affect their whole lives. The best way to make them understand the value of money is to encourage them to earn their spending money, and the child who does not have spending money is to be pitied. If a nickel is earned by performing an hour's labor, and then spent for candy which is consumed in a few minutes, the child finds out how much labor is required for a momentary enjoyment. If a weekly "wage" is earned by performing an hour's work daily, the child will consider carefully an expenditure which requires so many hours of hard labor. The child who is given an allowance and then sees simple tasks which he could perform himself done by hired help, is missing an opportunity to learn to become useful.

The best way to discourage a child from throwing away spending money on things that glitter for a moment is to encourage the ambition to own some definite thing—a pair of skates, a camera, a bicycle, a musical instrument, or even a party dress. Boys should be encouraged to save for sporting goods which give healthful recreation. I have carefully observed children who have

saved for some definite purpose and have noted that their taste for trifling things diminishes in proportion to the earnestness of their desire for a cherished object. Such saving develops imagination and is, as well, an incentive to straight thinking. In later life this development may be worth from five to fifty thousand dollars a year; or it may take form in social charm or other accomplishments worth more than money.

It is unwise to insist that children shall deny themselves all the little pleasures their companions enjoy, for the single purpose of saving money. To encourage the habit of self-restraint for purposes which appeal to the childish imagination inculcates the habit of regular saving and teaches what money costs and what it will buy. It is a precocious child who begins in tender years to plan for an Independence. Those plans will come in their proper time; they will more surely come to the child who has learned about money in the ways just outlined.

DO NOT WASTE CAPITAL BY HOARDING IT

Hoarded money is a deplorable form of waste. The country needs its working capital. To keep money out of circulation is unwarranted selfishness. If all did that, the nation would be deprived of its circulating medium, business and employment would stagnate for want of funds.

Money deposited in banks ministers to the needs of industry.

Frequently we hear of the losses of savings by people who try to be their own bankers. The reason usually given for hoarding is the fear of banks. The savings deposits of the nation are more than twenty billion dollars. Losses of these savings through failures are but a small fraction of the losses of hoarded savings. The loss of interest these hoardings might earn, if banked, is also enormous. The person who hoards commits an assault on prosperity. Hoarded money is a national waste and a loss to the individual besides; it is a brake on his progress toward Independence.

Here are a few of the instances of loss by hoarding recorded in a number of newspaper clippings in my files. They are vivid examples of the distress which shadows the lives of many who distrust banks. They also show how numerous and varied are the ways in which losses occur.

W. H. Purcell was tortured in an effort to make him disclose the whereabouts of cash and securities he was believed to have secreted. The papers reported that $25,000 in Liberty Bonds which he was known to have owned, were missing.

Mrs. Frank Dean on coming home from church found her home ablaze, and $200 worth of Liberty Bonds went up in smoke.

A bank in Black River Falls, Wisconsin, re-

ceived a tin can full of money which a man before he died told his friends he had buried in his garden. The paper money had rotted, so that much of it would not bear handling. The same bank received a roll of partly burned bills for redemption from a woman who had put them in the kitchen stove; then somebody started a fire.

Mrs. W. F. John while boarding a street car was robbed of a grip containing $10,000 in currency, the savings of many years. She was afraid of banks and always carried the money in a grip. To have carried a bank book with the money entered in it would have saved her the catastrophe.

Jerry Kischel placed a wallet containing $1,200 in a hotel pillow. When he left the hotel the wallet was apparently untouched; when he opened it in another city he found it empty.

It seems only yesterday that I read of a hard working man who gave up more than $5,000 in currency to strangers through a confidence scheme that has been worked thousands of times. Within a day or two I read of another laborer who was robbed of his life savings which he kept in a trunk.

Myer Daniels of Hoosick Falls lost $4,700 in greenbacks which were burned when his dwelling was destroyed by fire.

Mary Marmofsky, widow of a Civil War veteran, who earned her own living at seventy

years, lost $600. She did not believe in banks and kept the money in a bed tick.

Joseph Hull distrusted banks and hid his savings in his log cabin. He had nine "deposits" of $1,000 each; his cabin burned and he lost the money.

Schuyler Ranier, seventy-two years old, kept $10,000 in a home safe. Robbers blew the safe and took the contents.

Such experiences are all too common. Every one of these losses might have been easily avoided. Almost any one, in fact, can look back upon money losses which he has sustained and can easily see how unnecessary they were. One of the purposes of this book is to encourage the habit of looking ahead while profiting by the experiences of others who are looking back sadly.

CONSERVE HEALTH

Good health is the secret of physical and mental power. Occasionally we hear of a genius who achieved great work despite the handicap of ill health and suffering; but the strong, vigorous, clear-eyed person has the best chance in life's battles. Ill health wastes time and efficiency; it incurs expense; it blocks clear thinking. An essential part of the personal equipment for the journey to the goal of Independence is good health.

Most of us eat too much. In a previous chapter we emphasized the importance of learning to think straight. One who habitually eats more food than his system needs, dulls his thinking apparatus. He strains his heart by making it pump blood through folds of useless flesh. Consuming more than we need is a double waste; it is throwing away the money the food costs and taxing energy by loading us with troublesome excess baggage.

Children need food for growth and energy. After growth stops, less food is needed, but we usually keep on with the eating habits acquired as youngsters; this not only directly affects the purse but causes loss of time and energy and incurs doctors' bills.

Lack of exercise spells a sluggish mind, its keen edge sacrificed to indolence. Living day and night in hot rooms with closed windows clogs the system with impurities. Samuel Crowther said, "Our national habit of shutting ourselves up with a hot stove for the winter and never opening a window, brings on more premature deaths than whiskey ever did."

Fresh air, plenty of exercise, a good supply daily of fresh water internally and externally, deep breathing, plenty of sleep,—but not too much,—temperate eating habits, wholesome, clean food, make one physically fit for the battle with obstacles.

GUARD AGAINST WASTE

GET THE HABIT OF REDEEMING WASTE AND TURNING THE RESULTS INTO CAPITAL

Habitual waste prevention, with scrupulous attention to little things, will hasten the happy moment when one can say, "I have reached the Goal of Independence."

In an article in *Colliers Weekly*, Edward W. Bok related how, when a boy, he picked up a stray potato and took it home. Years later he learned that an observer of this act predicted a successful career for him. He mentioned also how a friend, while carelessly throwing on the floor the string from a package, expressed wonderment at Mr. Bok's success. His inference was not that such trivial savings as these would create a fortune, but that habits of life expressed in such ways would be a great factor in such an achievement.

Like all other forms of economy, this one can be overdone. The business man who spends his time cutting open the envelopes his mail comes in, to make scratch paper, pays dearly in valuable time for the salvage. He also makes thrift a pitiful joke among his employees, and hits economy in their lives a blow. Carrying waste saving to the point of open niggardliness is a waste in itself.

Samuel Crowther was right when he said, "Pre-

vention of waste must yield something; it must pay its way. Don't just prevent. Make it *do* something. Turn waste into wealth."

Setting a guard over waste does something when it increases personal efficiency and by the same token, saving power as well as earning power.

It also does something, when the sum of a year's little economies is reflected in accumulated cash, as it should be; and when that cash, put to profitable use, is earning more. It does something by strengthening the habit of straight thinking, which habit is the mother of Independence.

CHAPTER VI—The Sixth Principle

CULTIVATE THE HABIT OF INDUSTRY

Give your job the best you have. Create your own standard of the value of your services. Prepare yourself for the job higher up. Turn a portion of your daily mental and physical labor into permanent capital. Learn to earn early in life.

You have passed the fork in the road where you made the decision to become independent. You spotted your position, set your first goal and turned your steps toward it. You are acquiring habits which help you on. You have made a good beginning toward mastering the art of saving; you are putting your spending under control; you are conquering waste and capitalizing it. You are acquiring good judgment as the result of straight thinking. As there are no financial rewards without work, it is necessary to join the habit of industry with these other qualities, which, combined, make a solid foundation for real Independence.

Do not belittle the importance of the foundation. Some fortunes are founded on sand, and

blow away. An inheritance, for instance, coming to one who is not governed by these ten principles may soon vanish. It is as important for the person who comes into possession of a fortune created by others to abide by these principles as it is for the builder of one. More important indeed, for he has missed the reward of poise and wisdom born of straight thinking, planning, and meeting difficulties.

Before a skyscraper can be built, a foundation is laid on bedrock which, when completed, hardly shows above the ground. A storm might demolish the superstructure but the foundation remains. Likewise, when the foundation of an Independence is laid upon the bedrock principles already outlined, reverses which may sweep property away will leave the foundation of character on which to rebuild.

Self-mastery, the mother of Independence, is achieved, not bestowed; achieved through mental and physical labor. Independence without industry is usually an accident. The art of working effectively, like the art of saving, is acquired by practice, guided by intelligent thinking and real purpose.

The American Indian who did not work had no capital except the lands he roamed, his heritage from the ages. From these he wrested his living by hunting. Except for such labor, the men lived lives of ease while the squaws performed the

drudgery. Work was beneath the dignity of the Indian man, and the young braves were brought up to scorn it. Now the American Indian as a race is all but extinct. All through the ages the people who have left their mark on history, who have amassed something, are those who settled down and performed hard labor. As they acquired property they settled down to the responsibility of taking care of it.

GIVE YOUR JOB THE BEST YOU HAVE

Doing your job well should become a matter of habit; its importance is undebatable. The person who habitually does his work well, whether sweeping an office or plying a trade demonstrating skill, exhausts brain and body no more than he would if he were slacking on the job. The person who gives his job the best he has takes pride in doing it. He will not spend time in accomplishing nothing. As he works purposefully he is acquiring the habit of straight thinking. He perfects skill which he can sell for a good price; the better price he gets for the product of his hand and mind, the larger his margin of profit over the cost of living. By the same token he will have more money with which to build the structure of his Independence.

Julius Kruttschmidt, a railroad president, was quoted in *The American Magazine* as saying:

The best thing that can happen to any man or boy is to have a strict taskmaster at the very beginning, and to be taught that there are no limits to work, or to the energy and brains that can be put to work. It does not do anyone, especially a young man, any good to be coddled. I do not care whether a boy starts rich or poor. If he starts rich and does not know how to work, then somebody will take his money away from him. If he starts poor and does not know how to work, he will remain poor The only way I know in which to have an easy life is to earn it by the hardest possible kind of work in the formative years.

There is a kind of worker who holds back his best effort and who says he will not work harder or more intelligently until his pay is raised. That kind of a person blocks his own progress. When he asks the boss for a raise he does it on the ground that he needs it, rather than that he is worth more. The boss properly replies that the only good ground for a raise is an increased capacity for responsibility and for doing his work better than some one else can do it. The way to earn more is to become worth more. Those who rise in industry are those who are not afraid to do more than is expected of them.

The person who sells his time and skill to an employer and then refuses to give the job the best he has is a swindler. He swindles his employer and cheats his family and himself of something his labor should produce. Slacking on

the job is pure laziness; those who are laid off first, when work is scarce, are the lazy ones.

Every individual should discover in what lines of endeavor his talents would have the fullest expression; then he should devote himself to improving these talents. In that way he avoids becoming a misfit in his occupation.

I have seen many girls attempt stenography who lack the necessary background of education. Such girls fancy that turning pot hooks into an untidy letter is a purely mechanical job. In this vast field of employment there are limitless opportunities for girls who have the intelligence, which comes with education, to comprehend what their employers are trying to do, and then to try to help them do it. Mechanical, indifferent, ignorant stenographers are not chosen as secretaries and given responsibility.

Useless conversation so common in offices is not a way of giving the job one's best; and persistent telephone conversations on personal affairs are distasteful to employers.

An office girl whom I know is a most commendable person. She is not well educated, but she has made the most of her opportunities. She is a copyist; her work demands the strictest accuracy. She works under the disadvantage of copying the brain output of a man who writes a wretched hand. She has trained herself to know how that man's mind works and what is his trend

of thought; she can even catch his mistakes; she keeps track of his engagements and reminds him of them. So rarely does she commit an error that she requires little supervision, making less than ordinary demand on her employer's time. When her work slackens she finds something to do—she never asks for work. She is agreeable, yet rarely participates in office gossip. It is significant that this girl has survived for years the natural changes in the office; others have come and gone but because she has made herself indispensable she is assured of her position.

Every business worker should know each morning before five minutes have elapsed just what he is going to try to accomplish during the day. One who plans his work, inevitably gets more done. Many people who think they are overworked, waste their energy with non-essentials which increase brain fag.

The head of the office, too, must look to his own ways if he expects to get efficiency from others. Does he call an assistant away from his work a dozen times a day on trivial matters when he could, if he chose, issue instructions and hold necessary discussions at one regularly timed interview? Does he leave his desk every time he thinks of an errand, thus wasting time and energy that might be conserved by assembling matters and disposing of them in one orderly round? Does he permit visitors to tarry and steal his

precious time with gossip? Does he linger at the lunch club when he should be back at the head of his command? Does he hold unnecessary conversations over the telephone, thus setting a bad example to subordinates? Does he drift into the office an hour later than his employees, permitting them to follow their own devices, or work as leisurely as they choose until his galvanic presence becomes the signal for buckling down to *real work? Does he hold back the morning mail* and the answers to problems which should be solved during the first precious moments of the day? Does he hold men and machines waiting for decisions while he lingers away from the office? Is he a real leader or does he shut himself in his private office and let the outer works run themselves?

CREATE YOUR OWN STANDARD OF THE VALUE OF YOUR SERVICES

This world is a place where exceptional men and women receive rewards. If one denies himself the right to become exceptional, or permits any one else to dictate the limitations of his effort, he robs himself of part of his own earning power. To voluntarily hold one's output to the level of an inferior man is putting aside the God-given privilege of working up to an Independence. It is by giving his abilities free rein that

a man exceeds the earning power of the common herd.

The untrammeled, free man who is paid according to his ability to produce, rather than according to the ability of the average man, has incentives to make a study of his work, to improve his skill and to apply himself intelligently to his task. His ability is his capital; as his ability is allowed freedom, his capital increases, his services have a larger demand. He has little fear of costly lay-offs, and promotion lies near at hand.

When a manufacturer produces a superior article he commands a higher price for it than an inferior article brings. On the same principle, the man who works with hand and brain should command a higher price when he renders unusual service.

It behooves every person who is striving to provide for his family and to make himself independent, to set the highest possible standard of value on his services, to work diligently toward reaching it, and then to look his employer in the eye and demand just value for the skill he has to sell.

PREPARE YOURSELF FOR THE JOB HIGHER UP

During nearly four decades of office practice many hundreds of young men and women em-

ployees have passed under my observation. I have seen many a youth act as though he had no thought whatever for his future. Many have put their best energies into pursuits other than their work. The society-bent young men and women are familiar to us all, those who come to the office jaded with the pleasures of the night before; they barter their future for a little entertainment; they sell their energies to their employers and spend them elsewhere.

A haggard face due to over-indulgence in pleasure, wholesome or otherwise, is a sign which shatters the confidence and dispels the interest of an employer. The job higher up rarely awaits people thus marked.

The employer is familiar with the sort of man or woman who would like to answer in the negative the question, "Is the house making anything on me?" The employer quickly recognizes him and he is the first to suffer dismissal when business slackens or when pay rolls are cut. The employee who is anxious to have the house profit on his work is well known to his chief. He is the one who is the natural heir of the job higher up.

If winning Independence is a matter of progressing upward in the business world, deserving promotion at more pay, then surely the basis of progress is industry. Promotion is the reward of those who have learned to put business before pleasure.

TURN A PORTION OF YOUR DAILY MENTAL AND PHYSICAL LABOR INTO PERMANENT CAPITAL

What you really want to acquire from your labor is more than a bare living; you want to become a capitalist. Some will call this materialism. Striving for more abundant living for yourself and your loved ones is more than materialism; the more who strive for it, the better the world becomes.

Endeavoring to excel in one's occupation that he may earn more and "save the difference," is commendable and need interfere in no way with character building. The fact is that life becomes more earnest and sober as one strives for material advancement; also, one puts himself in better position to serve his fellows. The uplift work of this world is carried on largely with funds given by those who earn more than they actually need; this is sometimes earnestly opposed by good intentioned moralists who decry materialism.

The inevitable result of cultivating habits of industry is greater earning power. It is by increasing this power that one can have a surplus over his necessary expenses, and it is by capitalizing this surplus, saving it, investing it, trading with it, that we move rapidly toward the goal of Independence.

LEARN TO EARN EARLY IN LIFE

Experience in actually earning and saving money is the basis of financial training. I have seen many boys who were brought up without responsibilities in the home and with no labor to perform. I have marveled at their lack of resourcefulness and their dependence on others.

The best way for children to learn the value of a coin is to measure it by their own work in earning it. A child should always be encouraged in a desire to earn money no matter how wealthy his parents may be. When a child begins to earn money by his own efforts he begins to learn how success is built. He is getting his first training for the job he will hold years hence. Every boy or girl wants some particular thing. It will be worth many times more if gained through his or her own efforts.

I read the following in a daily newspaper:

> Garrett Friezenberg, a sixteen year old graduate of Evergreen Park school, is a vivid argument for the back-to-the-farm movement. In two years by doing chores on the farm, selling an onion crop from one acre and making a profit of $30 on a pig which he raised, Garrett has saved $1596. Garrett was one of thirty-nine graduates of the Cook County Public Schools who have achieved distinction through their earning capacity at gardening, sewing, music and baking.

Tillie Gundagin, seventeen years old and a product of Flickney School, has earned almost as much as Garrett. She boasts of a saving of $1200, the result of canning. Her father gave her a piece of ground in exchange for her help on the farm and she took care of a plot 25 × 425 which she planted to tomatoes. In the winter she sewed for the family. Tillie is saving for a college education.

There are innumerable ways in which boys and girls can earn money; here is a boy who takes care of furnaces in winter and mows lawns in summer; another keeps chickens and makes a study of their care; still another carries newspapers and takes subscriptions for a popular weekly magazine. Caddying for golfers is a popular way of earning money. Cleaning, oiling, and washing cars, working in rush hours in stores, give employment to many energetic boys. Girls can assist in the care of children, raise chickens, cultivate flowers, make hooked rugs and various articles with the needle.

On the golf links players soon pick their favorite caddies. They are the boys who are silently interested in their employer's game, who know where the ball went and what kind of a ball it is, who have the right club ready without being told. Men of influence often take an interest in such boys and give them a lift. They are the class from whose ranks golf champions are to come. They are the kind who will always take

pride in their work and succeed in the jobs they will find in the business world. A boy cannot begin too young to display intelligent interest in his work.

A boy or girl who learns early in life how to earn money has a tremendous advantage over the spendthrift. The value of money, its cost in effort, is not a mystery to the child thus trained.

Great injustice is done to the youth who is deprived of the privilege of learning to work. Every child has latent energy bound to find expression in some way. The American way is to play, but if a little of this energy is wisely directed into some line of work, especially work for pay, a lesson of lifelong value will be inculcated. It is an enormous waste of national resources to permit youthful energy to be entirely dissipated in play. Parents who impose no duties upon children make it difficult for them later on to compete with those who have learned early to work.

Cultivating habits of industry encourages straight thinking. A conscientious attitude toward the job in hand improves character and enables one to extract wisdom from his work, profit from his skill and to turn his toil into an Independence.

CHAPTER VII—The Seventh Principle

GO INTO DEBT WISELY

Incur no debts unless you are sure of the money to pay them. Hold installment buying within bounds Consider a debt a sacred obligation. Be fair with your tradesmen Use credit for legitimate gain. Establish your credit at a bank.

Two kinds of advice are given by the men who have made their mark in the world and have won success and Independence, thus earning the right to advise pilgrims on the road to Independence.

Edmund D. Fisher offers an illustration in *Bankers' Monthly*. "My boy," said the father as he placed his hand affectionately upon the shoulder of his son about to start for the distant city for a business career, "don't get into debt!"

Again, a great merchant turned suddenly to his private secretary, "Young man, have you any debts?" Somewhat trembling and apprehensive, the secretary faltered. "Why-why-no sir, I have no debts." "Get some," snapped his employer as he handed the surprised young man some stock in a great corporation. "You owe me for these shares—save money and pay for them as

you can." The paradox is suggestive. Both the father and the merchant were right.

It is a fact that the person who makes it a hard and fast rule never to go into debt, usually makes slow progress. He misses opportunities for making profitable investments and trades requiring more cash than he has in hand at the moment. The proper use of credit is a great factor in business profits.

The world is full of people who are submerged in what seems a bottomless sea of debt; but if they think and plan how to discharge their debts, and then go ahead and discharge them, their experience will lay the foundation on which to build anew. For the person who succeeds in freeing himself from a load of debt learns the fundamentals of fortune building.

There are many ways of going into debt; some very bad—going into debt for luxuries; some very good—using credit for enjoying home comforts or for making profits. It is essential to learn to go into debt wisely and profitably. On general principles one should not go into debt for current expenses unless pressed by necessity. A physician or tradesman, for instance, can profitably go into debt for the purchase of an automobile necessary for carrying on his business. Some accident to household apparatus, such as furnace or plumbing, may require immediate outlay for which funds must be borrowed. A lawyer can

quite properly go into debt for additions to his library which will aid him in his professional work.

INCUR NO DEBTS UNLESS YOU ARE SURE OF THE MONEY TO PAY THEM

The ease with which purchases can be charged has caused many a family and many an individual to plunge hopelessly into debt. If one has charged no more in a month than he will have cash with which to pay promptly when the monthly bill comes in, he cannot become overwhelmed with debt.

It is all too common for the man of the family to run up his bills and the woman hers, each in ignorance of what the other does, to find soon that a mountain of debt is causing a heap of worry. If a family or personal budget is followed, one cannot be tempted by "easy payments" to go beyond his financial depth. In many families the wife has too little appreciation of her husband's difficulties in meeting bills and in keeping the family credit good. She is accustomed to shopping on the "charge-it" basis and keeps no account of the bills she is running up.

Husbands, too, are often sinners in this respect. Some are very free with their charging habits, expecting their wives to do all the economizing.

"Charge-it" buying too often descends to spending unearned money. Even in Benjamin Franklin's day the wisdom of credit buying was in question, for he said: "He that sells on credit asks a price for what he sells equivalent to the principal and interest of his money for the time he is to be kept out of it; therefore, he who buys upon credit pays interest for what he buys."

A young man or young woman working on a small salary may associate with people who are able to indulge their tastes, or who are letting their desires run away with their common sense. For a time credit is good; things are bought which could not be afforded if it were necessary to pay cash. Finally he wakes up to the fact that he owes a great deal of money; he must pay his running expenses, and, at the same time, pay off the old scores. Soon the creditors become insistent and, goaded by their demands, he resorts to the loan shark. This increases the debts, destroys the credit, and endangers the debtor's standing with his employer.

We have learned that one of the first rules in striving for an Independence is to *think straight*. A debt of any kind, and emphatically one for a purchase which is not absolutely necessary, should never be incurred without first thinking out whether there are already obligations in arrears. One should decide whether or not there will be enough income to discharge the debts

when they come due and still take care of running expenses; and whether the purchase is for some temporary pleasure or will contribute to real enjoyment and benefit; and lastly, as in the case of the automobile, whether or not the purchase will add a new load of expense to an already overburdened purse.

HOLD INSTALLMENT BUYING WITHIN BOUNDS

Many families, and individuals too, take advantage of installment plans for the purchase of an endless variety of necessities and luxuries.

An article in the *American Banker* stated that a bank which made an investigation found first, that only ten per cent of the people pay cash for their merchandise; only thirty per cent have a financial standing sufficient to merit credit, and sixty per cent must of necessity employ the installment method in the purchase of their goods; second, that of 2,800,000 automobiles sold in the year 1924, ninety-five per cent were bought on the installment plan; and third, that ninety-five per cent of all pianos and phonographs, together with eighty per cent of radio receiving sets, and seventy-five per cent of all vacuum cleaners, electric washers, refrigerators and kitchen cabinets were bought on the same plan. Unquestionably, the rapid increase of installment buying is a great stimulus to production, and

therefore to employment. But in so far as the system leads to overbuying and living far ahead of the income, it has great dangers.

When a family already in debt and having difficulty in making both ends meet buys an automobile, heedless of the fact that they are introducing a new and heavy expense, they jeopardize the peace and welfare of the home. When they mortgage the home to make a first payment on a car, the interest on the mortgage will be a regular obligation long after the car goes to the junk heap.

So much encouragement is given to installment buying nowadays, that there is always a temptation to take on greater obligations than it is possible to meet. Cases are numerous where installment commitments have exceeded the monthly income, to say nothing of necessary living expenses. Many girl stenographers, clerks, and factory workers buy expensive clothing on the installment plan, when if they were sick, they would have to depend for care on relatives or charity. Heads of families buy radio sets, talking machines, or sets of books enticingly described by agents, when there are unpaid grocery bills and when the rent is in arrears.

The alluring advertisements of installment houses, the ingratiating talk of the house-to-house canvasser, have started many a family on the way to bankruptcy and unhappiness. There

is nothing like pressing debts to ruin digestion, shatter nerves, and cause family dissension.

The person who buys on the installment plan usually pays high prices for what he purchases. Few people stop to figure out the total interest charge on deferred payments. The installment dealer has considerable expense in making several collections instead of one, for an article sold; he must also cover his losses and the extra cost of bookkeeping. These extra costs must be added to the price of his merchandise. On the other hand, the person with cash in hand finds the best bargains and gets spot cash prices. "Save first; buy best," is commended as a family slogan. I never heard of goods on bargain tables or in bargain "sales" offered on the installment plan.

James M. Lynch, President of the International Typographical Union, in a magazine article deploring the increase of installment buying, said:

> Good wages and healthful working conditions cannot add greatly to the wage earner's happiness if he persists in getting into debt. The root of the evil is the tremendous growth of credit business.
>
> The remedy is to check the insidiously growing tendency to ill-considered extravagance on the part of the worker. Insinuating salesmen are constantly waiting to take the breadwinner in a weak moment and unload something on him. Our statistical department has found the case of a man who engaged himself to meet monthly payments actually in excess of

his salary, living expenses having been left completely out of his calculation.

I do not mean to imply that the installment system has not its advantages. Through it, homes may be equipped with labor-saving devices and comfortable furnishings which can be enjoyed while being paid for and add to the home investment. Kept within proper bounds the installment system is helpful, but when it results in "living in August on next February's income," or in buying something which will be worn out or used up before all the installments are paid, it is bound to have a bad effect on character and plunge the home into a mire of debt.

After all, the happiest people are the care-free ones who pay as they go. There was never a better installment plan devised than the one by which you build an Independence with modest installments paid into the receiving window of a bank.

CONSIDER A DEBT A SACRED OBLIGATION

Wouldst thou shut up the avenues of ill,
Pay every debt as if God wrote the bill.
EMERSON

Many people do not feel disturbed or conscience stricken if they are unable to pay debts which are past due. Some deliberately make new purchases with money their creditors should

receive. This betrays a deplorable lack of character and does the individual and his credit great harm. He becomes known as a "dead beat" and is regarded with contempt. If one must go into debt he should see that his obligation is met the moment it is due. In doing this he builds a good reputation in the community. Otherwise, word travels fast concerning his attitude toward his debts and he is blacklisted.

A young man of good earning capacity, just out of college, was much impressed by his salary, his first regular income. He got the notion that he could have anything he wanted. He ran up tailors' bills, shoe bills, and haberdashers' bills. He bought a roadster and a radio on the installment plan. He looked forward to marriage, although he had laid up nothing for furnishing a home. He believed a man of his ability must make rapid strides in the business world; he would soon be earning enough to take care of all his troublesome bills. He failed to *think,* to reason out what he was headed for, and conscience did not smite him. Creditors began to be troublesome. He borrowed from friends until he lost their respect. Meanwhile, his yearning for fine clothes and costly neckties and shirts did not lessen. On a hot summer day his room being uncomfortable, he ordered an expensive electric fan; he charged it.

His creditors began to annoy his employer with

telephone calls and letters; he became less efficient in his work; he made promises to creditors which he knew he could not keep, and then made no effort to keep them.

His employer, at the point of dismissing him, determined to give him a chance to redeem himself. They frankly talked things over, the employer insisting that unless he complied with certain conditions he could not remain. He had the young man make a list of all his obligations and figure just how much of each week's pay could be applied upon them. One part of the agreement was that not another debt would be incurred so long as he owed anything. Creditors were informed of just what payments would be made them and when. In the course of time the young man worked out, and learned some helpful lessons in economy in doing so. Not, however, until he began to *think* and *plan*, did he make any headway with his mountain of debt.

Good credit rests upon a foundation of character. The person of high character will never consider a debt in any light other than that of a sacred obligation.

BE FAIR WITH YOUR TRADESMEN

In seeking credit from a merchant when a charge account is under discussion, always be frank and honest in your statements. Credit men

are experienced in reading character and the questions they ask are for information which they are entitled to have. If they suspect something is being held back their questions are apt to be the more searching. Advice they may offer about keeping purchases under control should not be resented. They are anxious to make sales, but it is a careless credit manager who encourages purchases which he believes unwise on the part of the purchaser.

When a merchant extends credit he ties up capital which he might be constantly turning over for business profit. If your account with your merchant is past due you are contributing to one of the causes of business failure.

If everybody who owes a merchant paid up, the dealer would have more money to use in his business, he would be able to sell at lower prices and your dollar would go further.

Running charge accounts for convenience, to be paid promptly the first of the following month, is a legitimate practice. Prompt payment of such accounts gives one a good credit standing and makes him a desirable customer.

An outspoken business man discussing the subject of going into debt said:

> A successful merchant told me to-day that people blast their hopes for success with the "charge it" and installment habits They insist on buying on credit, things they hope to pay for some time—after they

have earned the money. If everybody stopped the "charge it" habit for a year and paid as they went, prosperity would receive a wonderful boost. Enormous interest charges would stop because merchants could pay cash. More would thus be lopped off the cost of living.

The "charge it" habit may lead to financial if not moral bankruptcy. It hampers one in building credit, for credit is properly based on surplus over debts, rather than on what one hopes to earn in the future if all goes well. A lot of misery would be avoided if people would get the habit of thinking first and paying cash, instead of saying "Wrap it up and charge it," without thinking at all.

Financial success is the result of having a surplus. Having a surplus over one's debts, in cash and good investments, is solvency. Having debts which one cannot pay is insolvency.

Why *do* people rush madly toward failure by going into debt for things they ought to wait for? Financial failures and mortgage foreclosures are caused by inability to pay what is owed. "The man who never has enough to pay his bills has too much of something else."

USE CREDIT FOR LEGITIMATE GAIN

This is a kind of credit which needs to be thoroughly understood by the seeker for independence. It has much to do with his progress. It is the borrowing of money with which to make

more money,—combining credit with capital, with legitimate profits in view.

Generally speaking, for every dollar of cash which a person possesses, another dollar of credit is available to him if he can pass all the required tests. Most of us know that if you want to buy a $5,000 home and have $2,500 in cash, or its equivalent, you can borrow another $2,500 with the home as security. With $500 cash you can borrow another $500 to buy a $1,000 bond using the bond as security.

The *Ohio State Journal* commended to its readers the idea of going into debt to save:

> Go into debt to save. It is excellent advice Many people have such a horror of debt that they do not differentiate between kinds of debt but try to avoid them all. Debts incurred for running expenses mean living beyond one's income and, while sometimes necessary in emergencies, should not be contracted except in cases of dire necessity.
>
> Going into debt for the purpose of making conservative investments is a wise policy Such debts get a man started right and provide him with that very important aid to saving,—a positive and definite incentive. They help him to stick to a good habit. Going into debt to save, is a step toward independence.

Credit is borrowing power which arises from the possession of "Character, Capacity and Capital—the three C's" of credit. It takes the place of cash in many transactions. With cash, it

increases one's ability to make profits. While credit is based on character, capacity, and capital, the amount of capital or security which one possesses is a large factor in securing a loan. A person without money or property, which are capital, even though his integrity is well known and his ability granted, would have difficulty in borrowing for his business needs. He would thus miss opportunities for the lack of money with which to grasp them.

The capital needed to establish one's credit is based on saving, which makes saving the first step to good credit. If one wants to become a partner in a business, or if he wants to start a new business, he needs credit. One who has a big ambition requiring a sum of cash can realize his ambition through the use of credit before he has saved all the cash required.

Good credit is not a gift; it is a growth. It is something that cannot be merely claimed, it must be demonstrated. It comes through earnest effort, long continued, and should be cherished as a great treasure. Credit can, through some lapse of conscience, be forfeited in an instant. He who cultivates ability to save and heeds the voice of conscience in all his dealings, acquires both cash and credit.

The amount of cash and credit a man may command years hence depends not on what he does in the future, but on what he does *now* and

in all the years between, to build and guard his credit.

A summary of these qualifications has been thus stated: "He has credit who has a wide margin of surplus; who keeps it in liquid form; who takes care of his character; who never breaks a promise, gives value for what he receives and never speculates."

ESTABLISH YOUR CREDIT AT A BANK

Banks are the principle source of credit and it is to the bank one usually goes when he wants to borrow money. Before going, however, one may as well make sure that his proposition is a legitimate one, for the banker will determine this before he grants the loan. "Banks lend on facts, not on optimism, nor on visionary plans." A bank does not lend money on sentiment; it cannot. A bank lends money which it holds in trust for depositors, and which it must return to them, on demand, in the case of checking deposits. Loans are made in conformity with fixed principles of sound banking.

A bank does not manufacture credit, nor does it create wealth which it can place at the disposal of customers. A dollar borrowed by one person means a dollar deposited by another, subject to his call. A bank is a semi-public agency for creating a reservoir of the community's work-

ing funds and for applying them in the promotion of industry.

In considering an application for a loan, the banker quite properly forms his own judgments as to the probability of repayment at maturity. His experience dictates a line of inquiry to which borrowers are expected to frankly respond. A banker must know the borrower. He cannot lend to strangers. Therefore an acquaintance established at the bank, preferably through the operations of a checking account, is advisable.

If the account is new there must be an introduction.

A banker assumes three risks when he grants a loan.

First, the moral risk—the client's character, the way a man has lived and met his obligations, has first consideration.

Second, the business risk—capacity. That is, the ability with which the borrower manages his own affairs, his grasp of his business and its opportunities, his success in turning over his goods and the economy with which he runs his business.

Third, the property risk—his financial statement. Not only how much he *owns* over what he *owes*, but the liquidity of his assets, the marketability of his inventories, the demand for his product—these are all important factors.

Before making a loan the banker must have facts and figures on which to base his action. The

borrower submits a statement of his assets and liabilities which the bank keeps on file, and it is a criminal act to render a false statement. What the banker looks for is the excess of "quick" assets over liabilities, or how much the borrower *owns* more than he *owes*, of a nature that could be promptly turned into cash in case of necessity. Buildings, machinery, furniture and fixtures are not quick assets. Good accounts, quick moving merchandise or readily marketable stocks, bonds or other securities are quick assets, as are collectible accounts. Such assets as these are the bank's security for a loan.

If the borrower has not capital invested in a business he may, if the bank requires it, give collateral for his loan, such as bonds or stocks or other securities of a character which the bank will approve; or he may have an endorser of whose responsibility the bank is assured.

A point which scores heavily with a banker when considering an application for credit is character. The banking business is founded on character. Complete frankness at the outset is what the banker expects. He should not be left to discover unfavorable things about borrowers from outside sources.

The most approved purpose for borrowing at a bank is that of making more money,—turning it over in profitable trades. The proper use of bank credit is to help business carry the peak

loads. A business has certain seasons when its purchases of raw material or stocks are large and it does not realize on these goods until months later. It borrows from the bank at such seasons and pays up when it receives payment for the goods. The money which a bank lends to-day is surplus belonging to depositors who may require loans at other times. A permanent loan is never granted by a bank. A loan is never granted or contracted with the expectation of renewing it indefinitely at each maturity.

A bank loan should never be considered more than a temporary, seasonal accommodation. Bankers cannot contribute to the permanent capital of a business, for a contribution to capital is a permanent credit, a frozen asset. Fundamentally, bank loans must be liquid in nature.

The Federal Reserve Bank was created to supply credit to banks, when needed, in order to enable the banks in turn to maintain an uninterrupted flow of credit to commerce and industry. When the Federal Reserve Bank lends money to banks it takes as security the notes of responsible business concerns upon which these banks have already lent money. This is called "rediscounting." It is a rule of the Federal Reserve Bank that notes running for longer than ninety days are not eligible for rediscount. Banks therefore conform as much as possible to that practice in making loans to their customers.

Banks have a responsibility to the community in the matter of keeping funds in channels which will promote industry. They quite properly discountenance loans for speculation, for by no process of reasoning could such a loan redound to community benefit.

Banks cannot encourage loans for the purchase of luxuries or for mere pleasure seeking A dollar allotted by a bank for this purpose is a dollar taken from business channels.

Some people hesitate to approach a bank for a loan; they think they are asking a great favor. On the contrary, if the purpose is a legitimate one the borrower is really doing the bank a favor, for he is bringing profitable business to it.

An essential which the banker demands in a borrower is business capacity. A man's character may be unblemished and he may not lack frankness, but if the borrower has not shown capacity in his business, the banker will hesitate before extending credit. His own business is run efficiently and he is concerned in the manner in which a borrower's affairs are managed.

When clients of a bank have notes coming due which they cannot meet they sometimes fail to respond to notices from the bank. By this disregard of business principles they do themselves and their credit great injury. If for any reason a note cannot be paid, a frank statement of the situation must be made; a partial payment might

help, and a renewal given for the balance if the bank can consistently grant it. A person who completely ignores his obligation to his bank puts himself in a position where it will be most difficult to get credit again.

It has been aptly said that a bank is not a last resort, but a first resource. Therefore it is well to cultivate your banker that he may be familiar with your aims, and in this way you will begin to lay a good credit foundation, even though you do not need credit at once.

If an individual or a business, through mismanagement, unwise expenditures, or extravagance, becomes hard pressed, it is not the bank's function to relieve the distress. It has been said that banks are "fair weather" friends. The fact is, they must be, for the money they lend belongs to depositors and is subject to their call. Hence it is impossible for a bank to lend money to bolster up losing business ventures.

"Borrowed money," said Herbert N. Casson, "either lifts you or crushes you." The person who is determined to become independent must learn early on his way how to go into debt wisely. The father who told his son as he started on his business career not to get into debt, gave good advice. And yet, to follow it literally all his life would retard the son's progress The abuse of credit, borrowing for personal gratification or

for show, invites failure. Its use for purposes of profit increases one's productiveness, broadens his opportunities and hastens the day when he becomes a capitalist in his own right.

CHAPTER VIII—The Eighth Principle

ESTABLISH A CONNECTION WITH A GOOD BANK

Start with a savings account Open a checking account when you can sustain one Be careful to observe good checking practice. Be considerate of your bank. Cultivate the acquaintance of your banker; consult him concerning your investment and business plans. Get a good understanding of banking aims. Observe the Ten Commandments of Banking.

In striving to build an Independence the co-operation and counsel of a good bank are indispensable. The person who tries to be his own banker makes slow progress and encounters many unnecessary setbacks. More people have been helped to success by banks than by any other agency.

Stand in any bank lobby and watch the people come and go. You will be impressed with the fact that they are bent on errands which have to do with building their Independence. In other places of business people spend their money; here they conserve it and put it to profitable uses. Conspicuous among the people who throng the banks you will find the prudent and successful, the people who are making financial progress.

Every one, as early as possible in life, should choose a bank which will coöperate with him in building his financial resources. Those who are too young to choose should have the choice made for them. A bank should be chosen for a child about as soon as his name is.

The first step, that of opening an account, is quite simple. On entering the bank of your choice, inquire where to go to open a new account. Tell your business to the officer to whom you are directed; if you are to open a checking account inquire what minimum balance is required.

START WITH A SAVINGS ACCOUNT

Your savings account is your start toward creating your Independence. It furnishes the nucleus of your funds for investment, for profitable trades and eventually for your business capital. In it you can also accumulate money to meet tax or mortgage payments, life insurance premiums, winter fuel bills, and other items which come periodically. These demands usually strain the purse as they call for sums which can be more easily met if prepared for a little at a time. A savings account provides an emergency fund. It is a root which nourishes a sturdy financial growth. Once established, the root should never be pulled up. Something should always be

left in the savings account from which new growth can start, even when emergency requirements deplete it.

OPEN A CHECKING ACCOUNT WHEN YOU CAN SUSTAIN ONE

Wealth originates, fortunes begin, in a *savings* account. The use of wealth is regulated and controlled in a *checking* account.

In accepting a checking account a bank assumes numerous obligations and risks. It must unerringly recognize signatures before paying checks. It must be certain that there have been no alterations in the multitude of checks paid daily. Upon receiving notice to stop payment on a lost or stolen check the bank must detect that very same check, should it appear among the many hundreds or thousands which go through the bank every day, and forestall payment on it.

A bank is under heavy expenses. Without charge, it furnishes to its depositors check books, deposit slips, statements and other stationery involving large outlays. It maintains a large force to record items. It has a staff of officers whose time is at the disposal of its patrons, considering their needs and plans. In the course of a day's business large numbers of checks on banks in other cities are deposited and the bank has to maintain expensive machinery for their

collection. Also, the bank pays heavy taxes and maintains expensive quarters in which to do business. It has large outlays for adding machines and other devices upon which the depreciation is heavy.

As a bank makes its profit by lending, it is clear that every depositor should keep a balance in the bank sufficient to earn the cost of carrying his account, allowing also for the proportion of all deposits a bank must retain as a reserve. It is a fact that every bank has large numbers of checking accounts which are an actual loss. If, therefore, the depositor wants to be fair to his bank, and to have his account pay its way and yield a profit to the bank, he should be careful not to let his balance fall below the amount designated by the bank. Should it do so he should pay cheerfully and without question the small service fee which the bank is entitled to charge. A checking account is a convenience worth paying for, either by keeping a good balance or by paying a service charge.

BE CAREFUL TO OBSERVE GOOD CHECKING PRACTICE

There are always people who mark the owners of checking accounts for their victims. In writing checks, therefore, it is well to observe these simple suggestions.

Never give a check to a stranger unless you are

positive of his identity and reputation; sometimes checks for small sums are obtained upon some pretext, for the purpose of obtaining a signature for imitation on forged paper.

It is almost needless to warn against the folly of cashing a check for a stranger. If a bank cannot afford to do this you certainly cannot.

In writing a check begin the "amount" as far as possible to the left; and write in such a way that "four" cannot be made forty, or "seven" seventy.

Avoid erasures on checks; never write over a letter or figure. If you make a mistake use a new check.

Checks for deposit should always be endorsed, "for deposit only." Simply endorsing your name makes it cashable by any one.

Never sign checks in blank; do not write checks in pencil; keep your check book and canceled checks locked up; always sign exactly according to the signature left with the bank. Write your check plainly. Endorse checks exactly as your name is written on them, and always on the back, left end of the face of the check.

Examine your canceled checks as soon as the bank returns them to you; compare the amounts with the stubs so as to promptly detect any irregularity; make sure that your balance agrees with the bank's the first of each month.

Bank as early as possible in the day. While a bank is closed to the public at an early hour in the afternoon, its staff remains to record the large volume of transactions made each day, so as to be ready for the next day's business when the bank opens.

Refrain so far as possible from drawing large numbers of small checks; each check involves work at the bank. When possible to do so, pay your small bills in currency, taking a receipt.

Deposit in your checking account all the checks and money you receive. This gives you on the stubs a complete record of your income. Pay by check and you will have a systematic record of your expenditures. You can make an accurate income tax return from your check stubs, methodically used.

Each month after you have paid your obligations, and left a working balance to make the account worthwhile to the bank, it is good business to transfer by check some portion of the remainder to your savings account.

BE CONSIDERATE OF YOUR BANK

It is comparatively simple for the bank to organize its staff for handling transactions with dispatch; much, however, depends on the cooperation of depositors. The bank appreciates the thoughtful consideration and good nature its

depositors exhibit in following the best banking practice.

The bank teller must work quickly and accurately and not become ruffled, regardless of the pressure under which he works. Being human and interested in depositors, he would now and then enjoy a little chat. But there's a line waiting and others must be considered; the exacting nature of his work demands the utmost concentration.

The teller must catch many kinds of mistakes. Sometimes the endorsement does not correspond with the payee's name on a check; sometimes the figures do not agree with the written amount. Checks come in sometimes with the endorsements on the back of the right, instead of the left end.

The teller must recognize signatures unfailingly; he must detect forgeries and counterfeits; he must lay currency and checks all one way if the depositor neglects to do it. And, each night his cash must balance to a cent.

A considerate depositor tries to make it easy for the teller. He assembles bills of the same denomination. When depositing coin he piles halves, quarters, dimes and nickels in separate stacks, or wraps coins of a denomination in a roll marked with his name and the amount, that the teller may count them at his leisure.

Behind the scenes the "adding machine cho-

rus" is a vibrant testimonial of the large number of transactions being hurried to daily settlement. The bank is a wonderful organization. Its watchword is "clean up everything to-day!"

At the officers' desks a steady stream of people continually come, bringing matters for consideration. Loans, investment or credit information, submission of plans, an infinite variety of business and personal financial problems,—always some one waiting for his turn. No wonder visitors refrain from discussing politics, baseball, or golf. They appreciate the pressure under which officers work.

Banking efficiency depends, after all, you see, upon the coöperation of the depositor. When the bank manifests its own eagerness to serve depositors, their response should be cordial, quick and generous.

CULTIVATE THE ACQUAINTANCE OF YOUR BANKER; CONSULT HIM CONCERNING YOUR INVESTMENT AND FINANCIAL PLANS

There are reasons for the many relations with a bank, other than the convenience of having a safe place for money or for handling income. For one who is striving for an Independence, an acquaintance at a good bank is most helpful. Fortunate is he who can confidently say, "Ask my banker about my credit standing." Not only

is he in a good credit position, but his banker is aware of it; that helps greatly when opportunities arise which require ready cash and credit.

Banking is a profession. When you consult a doctor, a lawyer, an architect or an engineer professionally, you expect to pay a fee. When you bring your business problems to the banker with whose institution you do business, no charge is made for the professional advice and research you receive. A portion of a bank officer's time is given to considering the plans of clients and in making investigations for them. It is by coming into intimate contact with an infinite variety of business and investment problems that bank officers accumulate the knowledge, compile the statistics, and absorb other information valuable to depositors

Suppose you are planning some business venture. It is a serious step. Your account entitles you to the attention of an officer whose duties bring to him daily inside stories of success and of failures, too. He considers your plan from a point of view different from yours—you want your plan examined from every angle. Probably he knows something about the chances for success in that particular field. He may have confidential information about the people whom you expect to join in the enterprise; if not, he can get it for you.

Again, it is customary for depositors engaged

in business to lay their financial statement, periodically, before an officer of the bank, even though they may not wish to borrow. The officer can analyze this statement, point out danger signals and, possibly, indicate advantages which the depositor may have overlooked.

Advice concerning business plans or investments is available to the customers of a bank; but one who is a stranger to a bank and does no business with it has no right to make demands on its facilities for which its stockholders pay money.

A bank wants its depositors to succeed. Its own growth and prosperity are closely interwoven with the prosperity of its customers.

GET A GOOD UNDERSTANDING OF BANKING AIMS

Savings banks and other institutions organized primarily for the encouragement of thrift, have been described in another chapter.[1]

A bank makes its profit by lending part of the funds deposited. It pays interest on a considerable portion of these funds, of which part are left on interest-bearing certificates of deposit, and part in savings accounts.

On checking accounts it pays no interest, but these deposits are subject to withdrawal on demand. A bank does not lend all its deposits

[1] Chapter III.

because the law requires, and prudence dictates, that the bank keep a reserve of money on hand at all times to meet the demands of depositors for their funds.

The first business of a commercial bank is to make loans to business concerns. The security back of these loans is the net resources of these borrowers, a matter which is given the closest scrutiny by officers.

Credit, then, is the chief commodity which banks sell. They buy it at wholesale from a multitude of people who deposit their funds subject to withdrawal when needed. They pay for the use of these deposits with an equivalent of interest, security, or service, or all three.

There is often ignorant or malicious criticism of banks for receiving people's money on deposit and lending it back to them at interest. Such critics obviously misstate the facts. The actual fact is that the borrower pays for the temporary use of money belonging to someone else.

If the lending capacity of the banks was limited to their capital and surplus, they would be utterly unable to supply merchants, manufacturers and farmers with the credit they need. A bank's borrowers use funds many times in excess of its capital and surplus. It is, therefore, the deposits which are lent. Borrowers do not borrow their own money, as a certain class of radicals would have people believe. *They borrow*

because they have not enough of their own money to meet the needs and opportunities of the moment. If they have not enough of their own they must rent money belonging to some one else. A responsible borrower can, for short periods, borrow several times the amount that his deposit balances average. The bank has a heavy responsibility in making loans, for the funds they lend are held in trust for depositors.

It is the delicate duty of bank management to keep the funds of the community, the bank deposits, working productively. The interest charged upon loans must repay all operating expenses and the interest paid on time deposits; then it must produce a fair rate of earnings on the bank's capital.

You have observed that in ideal banking relations there is an inter-dependence, a mutuality of interests. The depositor who desires to perform his part will carefully observe the following:

THE TEN COMMANDMENTS OF BANKING

1 *Keep a good bank balance.* That is recognized as the gauge of your success as a manager. Do not ask your bank to pay a host of items, making many ledger entries of your transactions, unless your balance is large enough to pay its own way. Ask at the bank how large your average balance should be.

2. *Establish a good record in your bank and in the community for meeting every obligation*

promptly The person who has given you credit regards you with growing favor when you pay on the dot He is sure to tell some one else about you Thus your reputation grows.

3. *Don't ask a bank to put money permanently into your business.* That is not a proper function of a bank. The money it lends belongs to other depositors It is improper for a bank to "freeze" money in permanent loans. Frozen credits kill prosperity. Most bank failures are caused by them.

4 *Borrow money only for purposes of legitimate gain.* Don't ask a bank to lend you money to pay for luxuries, nor for getting out of a hole dug by overindulgence in the "charge-it" habit. A bank owes it to the community to allocate its loans to enterprises which foster industry and increase employment.

5. *Be frank with your banker.* When you want favors at the bank put all your cards on the table Tell your story simply and honestly. Your banker will listen sympathetically; he will point out to you the weak and the strong points in your plans.

6 *Do not speculate unless you are situated financially so that you can afford to lose.* When you propose to invest, get your banker's opinion on the project Probably he has, in his files, just the information you need for your guidance. He will give you conscientious advice, he wants you to make money.

7. *Be frugal* Watch your expenditures carefully. Enterprises grow great because their managements keep a careful check on expenses. Weigh carefully the necessity for every outlay.

8. *Organize your finances, personal and business.* The man who succeeds always knows where he is going and how to get there. Loose handling of money

and working without definite plans waste time, money, and substance. *Organize.*

9 *Discountenance the hoarding of money wherever you meet it.* Every dollar of the nation's capital should be at work. Uncounted millions, needed in the industrial world, are carried in pockets and hoarded. The way to make money work is to bank it.

10. *Never overdraw your bank account* A bank has no moral or legal right to honor a check for which funds are not on deposit.

CHAPTER IX—The Ninth Principle

USE SAVED CAPITAL FOR PROFIT

Do not be influenced by sentiment in investing or lending Invest, never speculate Observe the cardinal rules of safe investment; seek experienced counsel before investing Beware of the investment shark Get compound interest on your investments Learn to trade successfully with saved capital Before embarking in business be sure you are right If your capital is invested in business salt down part of your profits in outside investments.

The results of the decision to create an Independence, of mastering the arts of saving and spending, of turning waste into profit, meanwhile applying ourselves intelligently to our daily work—these persistent endeavors have resulted in an accumulation of funds in the bank. If in a savings account, they are drawing as high a rate of interest as a bank can pay.

You may desire to turn over your capital faster in safe investments and in profitable trades; or, perhaps, you look forward to an interest in a business of your own.

An independent fortune is rarely created by simply piling up money in a savings account.

That process is too slow for the average life of mortals. We have shown in a previous chapter how fast money grows at compound interest even in a savings account, but unless one begins early in life and has an income considerably in excess of his needs, or deprives himself of all pleasures and every luxury, he would hardly accumulate, in the ordinary lifetime, what is considered in these days a fortune.

The average energetic, ambitious American wants to be a factor in the industrial or commercial life of the nation; he wants to sense the pride and satisfaction of ownership. He wants to be in buisness for himself, or part owner in some useful enterprise; or perhaps he wishes to create the kind of fortune composed of securities which he can keep compactly in a safe deposit box, certainly an ideal kind. Ownership of a business or of investments, however, carries with it risks, and those who can ill afford to take them should proceed with the greatest caution.

DO NOT BE INFLUENCED BY SENTIMENT IN INVESTING OR LENDING

Do not lend to friends or relatives money which you cannot afford to lose. It may be hard to refuse, but when hard-earned money is at stake, insist on putting your dealings on a business basis. When you lend to friends or rela-

tives you are at a disadvantage when you demand payment.

Many a man, when at the end of his rope financially [says Max Rockmore in *The American Magazine*] is blinded to facts by his hope that something will come up to turn the tide. Under these conditions a man often goes to his relatives with a plea for assistance on the ground of sympathy and family ties. It is a good thing to remember that when a man does ask financial assistance on such grounds, he is usually at the end of his business resources and, under the circumstances, the safe rule is not to advance him more money than you can afford to give away.

Women are often induced to put their savings into the business promotions of friends or relatives. Such a move should be considered with the greatest care. Money should never be invested or lent because of sentiment, for in doing so the strictly business viewpoint is lost.

While one may be keenly anxious to help a friend or relative in a business venture, it must be remembered that you may some day be in dire need of those precious savings. When requests for this kind of investment are presented, counsel should be taken of your banker or some disinterested person who is known to have excellent business judgment, and the advice given should be followed.

As a general rule, a woman's money should not

be subject to business hazards, but should be invested in sound and conservative securities.

INVEST, NEVER SPECULATE

He is indeed a well-trained investor who can distinguish gambling and speculation from investment. Hundreds of millions of dollars are lost annually by inexperienced investors who, after accumulating good sums, are persuaded to put them into doubtful investments or business ventures.

Most losses might be avoided if simple rules were observed. Naturally shrewd people are quick to see the weak points of an investment or business proposition. But the great majority of people are not naturally shrewd; and, lacking experience, need to study the rules most carefully.

Speaking broadly, there are three kinds of investment offered to the public; stocks, bonds, and mortgages.

In buying the common stock of a corporation you become a part owner of it; you are assuming liability for its debts; in some classes of corporations this liability is double the par value of the shares owned. There is no agreement that the principal will ever be returned to you, as is the case with bonds and mortgages. The only way to realize cash upon stock is to find a buyer for

it. At the time one wants to sell, the stock may be worth more than was paid for it, or less, according to the success of the corporation which issued it, or owing to general business conditions.

If the corporation is one whose stocks are listed in the stock exchanges, the current prices of the stock are found in the daily papers and the stocks are bought and sold on the floors of the exchanges. As there are thousands of corporations whose stocks are not listed and which are not bought and sold in the exchanges, persons holding stock in such corporations must depend on private sale if they want to dispose of their holdings.

A "close corporation" is one in which the common stock is held by a limited number of people, generally associated together in the management of the enterprise. Stocks in such corporations are usually very difficult to sell, especially if they are "minority" shares; that is, if they represent less than fifty-one per cent of a controlling interest in the corporation. Sometimes the controlling interest in a corporation is held by unscrupulous persons who exploit it for their own benefit. Having control of the voting power they can vote themselves large salaries, withhold dividends and elect boards of directors friendly to them and to their schemes Usually the minority stockholder has little chance of justice or equity, if those who control the corporation are not honest in their

intentions. If the minority stockholder, feeling dissatisfied or apprehensive, wants to sell his stock and get his money back, those holding the majority interest, if they care to buy it at all, can fix their own price. Unless the concern is known to be prosperous, honestly and fairly managed, few outsiders would care to take the stock off the hands of the dissatisfied stockholder. If the concern is going backward, the chances for recovering money invested in its stock are very poor. If the concern fails, the owner of its stock in some classes of corporations and in most states, must go down into his pocket for an assessment to meet the claims of creditors in an amount equal to his stock holdings; this is called "double liability." If he refuses to meet the payment, or is unable to do so, a judgment may be entered against him, so he stands to lose not only his investment in his stock, but also an amount equal to his holdings.

If a corporation goes into bankruptcy and its assets are sold to satisfy the creditors, it is seldom that anything is left for stockholders after paying the creditors. The author was told by a corporation lawyer with a large business, that during forty years' practice in which he was concerned in many bankruptcy cases, he did not know of a single instance where the stockholders of a defunct corporation got anything after bankruptcy proceedings.

USE SAVED CAPITAL FOR PROFIT

From the foregoing it will be seen that it requires considerable knowledge and experience to deal successfully in stocks. Vast sums are lost by inexperienced people who buy them with their small savings.

The minority owner of stocks in a close corporation prospers with the company if those in control are honest, fair, and capable. When you buy minority shares in a corporation you are placing your funds absolutely, and perhaps without possibility of recall, in the hands of the management. You are betting on the ability and integrity of management, the adequacy of the concern's capital, and an assured demand for its products at profitable prices.

Generally speaking, the stock in a "close corporation" should be owned by persons who participate in its activities and whose personal efforts make it prosper. If a man dies who owns minority shares in a corporation in which he was active, it would usually be better for heirs to sell his stock to the survivors in the business, and invest the proceeds in sound securities under competent guidance.

The investor in stocks gets his profits through dividends declared upon shares which he holds. Well-managed corporations do not pay out all their earnings in dividends; they create a surplus with part of them, or use the funds for the extension of their business. Under ideal conditions

there are earnings available with which to add to the surplus or to expand and also to pay dividends.

Preferred stock differs from common stock in that the holder has a fixed return on his security, and in case of dissolution or default he has preference as to assets over the holder of common stock. The holder of preferred stock is virtually a partner, and not a creditor as is the bond holder, the buyer of preferred stock is guaranteed dividends before the owners of common stock receive any. If one wishes to dispose of preferred stock he must usually resort to private sale; or, if the stock is listed on the exchanges, he may dispose of it through a broker trading in such stocks.

There are various kinds of bonds. Government bonds are considered the highest class of security, therefore they pay the lowest rates of interest. State, county and municipal bonds are issued by political units having the power of levying taxes, usually for public improvements. Public utility bonds are issued by railroads, traction companies, telephone, telegraph, and electric light and power companies, and various other public utilities for the extension and betterment of their service. First mortgage bonds are issued as a means of dividing up a mortgage on lands or buildings into convenient units, so that large numbers of investors may participate in the loan.

Industrial bonds are issued by corporations, with their assets as security.

Unlike a stock, a bond is a note, a promise to pay back at a specified time. The security for the loan is pledged in the mortgage or indenture. The degree of certainty with which this repayment is assured establishes the bond as a good or poor investment. A beautifully engraved bond is not, in itself, proof that the concern to which you consider lending your money by buying its bond is worthy of your credit.

Good bonds are an excellent form of investment, but all bonds are not good bonds. As you are working your way to Independence through saving and investing, you want to be sure that every move is a safe one. Buying industrial bonds is lending money to business concerns situated, perhaps, at remote distances. The way to lend your money to a corporation on its bonds is to follow the methods of a bank when it lends money to any borrower. You cannot afford to be less certain that the borrower can pay his debt, with interest, than a bank is that its loans will be repaid when due, with interest.

How does a bank lend money? When a business man obtains a bank loan on the strength of his financial statement and the condition of his business, the banker forms a judgment, not only of his net worth, but of the capability and the character of the management of the business, its

markets and prospects. If there are weak spots in the borrower's financial statement, the banker is usually able to put his finger upon them. He may recommend various remedies to improve conditions surrounding the business and make a loan more secure. The borrower submits to this inquiry as a matter of course, because he knows that safe banking makes it necessary. The banker, in a word, satisfies himself that the loan is a safe one before he grants it.

Now, the investor who proposes to buy a corporation's bonds should take exactly the same precautions. The banker, in making his loan, has the advantage of knowing personally his borrower and of keeping constantly informed as to the condition of his business. The investor who lends money to a distant concern has no way, probably, of finding out the inside facts of the business on which the loan is based. He simply takes the word of the bond salesman who offers it to him, or he investigates.

So it is clear that somebody who *does* know about the corporation whose bond you propose to buy, should advise you. If you deal with an investment house of known reliability, you are reasonably safe. If you buy bonds of strangers and through investment houses which deal in questionable securities, you take risks.

Banks and trust companies invest part of their own funds in bonds and have on file the basic

information in regard to issues which are offered to the public. A safe way, then, is to ask your banker to advise you concerning the bonds you propose to buy.

A mortgage is a conditional deed for real estate—farm lands and buildings, business or industrial property, or homes. It is given for a term of years, with interest payable annually or semiannually. If the terms of the loan are complied with and the mortgage or interest are paid when due, the obligation is discharged and the mortgage is satisfied.

Mortgages cannot be transferred from one buyer to another as readily as can stocks or bonds. Their security depends upon the margin between the amount of the loan and the actual value of the property which is given as security, also upon the ability of the mortgagor to meet the interest payments when they become due. The borrower's record of earnings is also an important factor. One who invests in mortgages must be satisfied as to the value of the property, must see that insurance premiums are paid by the mortgagor, and must collect his interest when due.

In as much as volumes have been written upon each of these three forms of investment, it is not our purpose to go further than this simple explanation of them. Before one can place his

dependence upon his own knowledge of these fields of investment he has much to learn through study and experience.

Every day many hearts are made sore by losses in stock speculation. Many people watch the stock quotations in the newspapers and form their own judgments as to what is a good buy. Many of them do not form any judgment at all; they just plunge with their eyes closed, taking a gambler's chance because they see certain stocks rise rapidly.

In his book, *Principles of Bond Investment,* Lawrence Chamberlain thus defines gambling, speculation and investment:

> Simon pure gambling, we take it, is indulged in when one risks money or any other form of wealth on any event over which he has absolutely no control or foreknowledge . . . "To speculate," say the dictionaries, "is to make a purchase that involves a risk of loss, but also offers a chance of considerable profit; to make an outlay in the hope of probable gain" . . . Both gambling and speculation are dealing in futures, and the difference between them is . . . the degree and character of the risk involved in the pursuit of gain. . . . Gambling is undertaken in the spirit of sport; speculation in the spirit of business In gambling the attraction of the uncertainty is the leading motive; in speculation the desire for gain. . . . By the usage of our English speech there is a form of business activity called speculation which, according to the distinction drawn above, should be called gambling; namely, the purchase and sale of stock and

certificates representing commodities on a very narrow margin of equity, and without intelligent opinion as to future values

Investment,—just as the graduation from gambling to speculation, is imperceptible, and there is no hard and fast line of demarcation, so speculation, as it avoids chance in greater degree, in pursuit of more certain, if possibly more modest opportunities for gain, graduates imperceptibly into investment

Speculating on the stock market is not investing at all. It is usually done with the hope of selling at a profit, rather than profiting by dividends on the stocks purchased. Stocks are often bought with payment of a small margin and if prices drop enough to wipe out the margin, the buyer must either cover the loss or relinquish his purchase. If prices advance he can sell and take his profit. In speculation as in gambling, few people are competent to speculate intelligently. Speculating through marginal buying should be let entirely alone by those who cannot afford to lose.

It will be seen from the foregoing that when you buy stocks or bonds either from a salesman or from any other source, it is vitally important to weigh all the facts regarding them. Ask questions like the following, and be slow about taking the word of a stranger whose interest is not in seeing you prosper, but in getting a commission on a sale:

1. Would my banker recommend the purchase of this stock or bond?

2. Would my bank lend me money if I should need it, with this investment as security for the loan? (If it is not a good security for the bank, it is not for you)

3. Does the fact that John D. Rockefeller made the earth yield fortunes in oil, prove that every promoter who sinks a well in the earth can do likewise?

4. If my money goes into this investment will it work as hard for me as I had to work for it, or will some designing promoter fatten his bank account at my expense?

5. If I buy this investment will the stock salesman receive an excessive commission? In other words, will a liberal part of my hard-earned money go for promotion expenses, or will my money all go into the enterprise?

6. Are the statements made in regard to this investment extravagant? Does the seller promise more than my good judgment tells me it is reasonable to expect?

7. If it is a new enterprise which has an organization to build, a good will to create, trade to establish, what are its chances for eventual success?

8. If it is an established enterprise will it continue to grow and prosper, or have the signs of decay already begun to appear?

9. Is this proposed investment the promise of some one to pay who *can* pay, or would it make me a partner in some doubtful enterprise, a sharer in its obligations?

10. If this should prove to be a good investment, how and when should I get my returns, and how readily could I get back my principal if I need it?

11. Is the interest or dividend fixed, or will my income depend on the ups and downs of the enterprise?
12. Can I afford to take chances?

OBSERVE THE CARDINAL RULES OF SAFE INVESTMENT; SEEK EXPERIENCED COUNSEL BEFORE INVESTING

The first rule is security of principal; it is dangerous to invest money without having this point thoroughly investigated.

The next rule is certainty of interest return; you want to *know* that you will receive your interest or dividends at the time promised, without fail.

The third is marketability; too many people find, too late, that they have investments which have no market, which no bank will accept as security for a loan and which the person from whom they were bought is unwilling, or unable, to redeem.

The interest rate is also an important point to consider. As the interest rate rises, security, interest return, and salability usually recede, often to the vanishing point. Government bonds, as we have said, pay a low rate because they are prime security. At the other end of the scale are bonds which have not a high degree of basic security and which, therefore, offer a high yield in order to make them attractive to

investors. The higher the rate of interest, the more thorough the investigation should be. Do not fall into the common error of buying first and investigating afterward.

Keep your money out of danger. Ask your banker's advice before investing. Said Bruce Barton:

I once worked a year for nothing. Not that I didn't earn money. I did. I even saved a considerable sum. But when I had saved it by care and self-denial I took it all and presented it to some gentlemen who were offering securities that now are just a little less valuable than wall paper. That experience taught me one great truth—that *making* money, and making money *work* are two very different things. To handle a dollar so that it will earn six cents in a year is a profession by itself, and one that most of us never master.

Personally I have given up trying to master it. I have found an easier way. I have made a friend of my banker. I take him my little savings as I would take my baby to a baby specialist. I say to him: "You are the doctor. Here is a new little hundred dollars that has just been born Prescribe for it. Tell me how to care for it so that it will keep its health and be able to work and earn five or six dollars every year."

It's a mighty good habit to form, I've found—this habit of putting it up to the banker.

Let a man have a good doctor, a good dentist and a good banker and he is likely to live long and to have something to live on as long as he lives *Before investing, ask your Banker.*

BEWARE OF THE INVESTMENT SHARK

If a person is known to have money in the bank or in valuable securities, if a widow is known to have life insurance money or funds from her husband's estate, if one bears the unmistakable marks of success or prosperity, somebody disguised as opportunity always comes along with alluring offers. It is essential to learn the marks by which real opportunity can be recognized.

When an investment is offered for little or nothing, look out—it is surely bogus! When unusually high interest rates are offered, beware! When you are told that you can double your money or get rich in the same way that some well-known captain of industry did, keep a tight hold on your money.

If a stock is sure to "pay big," its promoter does not need to seek your little savings, for experienced capitalists are looking for that very thing. When the promoter baits you by telling you about the success of Rockefeller, Ford, and DuPont, let that be the signal for asking your banker's advice.

A favorite trick is to induce men prominent in the community to invest in a stock, and then exploit their names in canvassing inexperienced victims. Using the names of successful men as

a bait is a very old trick—but alas! how it works!

Some years ago a man invested $3,360 in a certain stock, paying $56 a share. After thirteen years the stock was quoted at $26; its present value is $1,560. Had the investor put his money in the savings bank at three per cent compound interest he would now be about $4,000 better off, as his deposit would amount to $5,560.

Andrew W. Mellon, Secretary of the Treasury, once gave out eleven maxims for the American people, which, if heeded, would save hundreds of millions of dollars which go annually into the pockets of swindlers and bogus stock promoters.

Here are his eleven warnings to investors:

1 Don't buy stocks in mines you know nothing about.

2 Don't trifle with oil wells unless you are rich and can afford to lose.

3 Be wary of stock-selling schemes involving rights to new inventions "A patent may be only a right to a lawsuit."

4 If you buy property, buy something close to home that you can see.

5 Look out for new companies that are going to sell by mail

6 New manufacturing methods promising alluring profits to the investors should be carefully investigated.

7 Don't make your investments in a hurry; sleep over them

8. Beware of special inducements, such as stock bonuses. They are frequently traps.

9 Discredit tips on the stock market that are straight from the inside. If they are really good, you'll never be let in.

10. Don't speculate or buy stocks on a margin.

11. Don't put your money into another man's dreams.

When you have a few hundred dollars in the bank, "opportunities" in countless disguises will offer themselves to you. A young man of my acquaintance had $500 saved in the bank and was looking around for an opportunity to invest it at a higher rate than the bank was paying. He answered an advertisement which offered oil stocks for sale with alluring promises.

Shortly after, a well-groomed salesman called on him. "If you buy this stock," said he, "you can sell it in less than a year and double your money." "Maybe," replied the young man. "Let's go to my bank. If they say it is all right, I'll draw out the money and take your stock." "Can't go," said the stock salesman nervously; "I've an important engagement. Let's do business right *now*. This stock is liable to go up in price any day." "Not so fast," said the cautious young man. "If you won't go with me, I'll go alone. See me to-morrow."

He went to his bank and told his story to one of the officers. The officer looked up the bank's

records on this stock. Coming back he said, "If more people would do what you are doing now, there would be fewer heartaches; that stock is the purest gamble. Don't touch it. The company is not well managed; there is at present an oversupply of its product and it is making a drive to sell more stock in order to keep going. The company is not paying dividends and the investment is not well regarded in financial circles."

The salesman did not put in an appearance the next day.

A young man who was tempted to invest his savings in an oil company, wisely went to a successful business man whom he knew and asked his advice. "So you have decided to invest your precious hoard in the C—— Oil Company, have you?" said his older friend. "Who recommended it to you?" "Oh, a stock salesman," confidently replied the younger; "I don't recall his name. He seems well posted on oil companies that are making money." The young investor noticed that the corners of his friend's mouth twitched a little as he said reassuringly, "Oh, I see, of course if it is a good investment you ought to buy it. I understand there's millions in oil if you can get it out; however, I never owned a dollar's worth of oil stock in my life. Maybe I'll want some of this, too. Now, let's see. Where's the company's property?" "Somewhere down in Texas. I forget the name of the

town. But there are some big gushers all around it." "Any of 'em belong to this company?" abruptly asked his friend. "Not that I know of," replied the young man, now becoming a little dubious. "How many wells owned by this company are gushing oodles of oil?" persisted the young man's counselor. He had to admit that he guessed they hadn't any producing wells yet, but expected to have them soon.

"How, then, do you *know* that they will get anything but a hole in the ground; just the salesman's bald statement for it?" Then came a sharp volley of questions, "Who's running the company? Are they honest? Are they stock promoters or practical oil men? What are the company's assets and liabilities? Of course you have a financial statement of the company you propose to become a partner in." (Of course he hadn't.) "Where is the money coming from to pay these big dividends you are going to earn—from sales of stock or of oil? Can you sell the stock if you need the money? Oh, son, do you mean to tell me that you think seriously of becoming a partner in a company of strangers without *knowing* all these things?" His eyes fairly snapped. "Now listen to me; you keep your money where it is, in the bank, until you find an investment which your banker will pass upon as sound. There are plenty of them and it is entirely needless for people to pour their

money into fake investments; be an investor, by all means, but a sensible one. You have hoed a long row accumulating that money and you have acquired character with it. You will hoe a longer row getting your money back if you invest with your eyes shut. There is one thing I've noticed about a bank account. While it won't pay twenty per cent dividends, it won't lose one hundred per cent of your capital."

Millions are lost annually by inexperienced investors because they are unable to weigh the answers to questions like the above, or who swallow what glib salesmen tell them without consulting those who are in position to advise them properly.

Gambling is not confined to the card table or the race track. There are a thousand ways to gamble away funds, and new ones are discovered every day. Of the many, perhaps the six following are the most common:

1. Buying stocks in enterprises which are only in the promotion stage, whose profits are on paper and on which profits will be made if the management is honest and competent, if there is sufficient capital, and if the enterprise has an assured market

2 Buying stocks in weak companies which need "angels" because banks or capitalists withhold their support; buying stocks from some one who sees disaster coming and wants to get from under.

3 Investing in some new invention whose market

must be created on the ground that millionaires have been made with new inventions.

4. Buying stocks, the price of which is sure to go up in sixty days, and which demand quick action lest the opportunity be lost

5. Taking the word of strangers or optimistic friends, without verifying their statements by a thorough investigation.

6. Speculating on margins which is a far cry from legitimate investment and which wrecks many fortunes; taking market "tips" without the ability or experience to judge of their soundness.

GET COMPOUND INTEREST ON YOUR INVESTMENTS

One of the most important things in connection with working for an Independence is to let your money *stay* invested after you invest it; and to invest your interest from it.

America became a nation of investors almost overnight during the Great War. By force of circumstances millions found that they could practice unheard-of economies, save and invest. Aside from the patriotic appeal, Liberty Bonds were not generally considered, at the time they were bought, an investment upon which to build with great speed an Independence. All the same, if a Liberty Bond owner put his interest right back at work as often as he clipped his coupons, and if he kept that up with his long-term bonds,

see what the result would be; at the maturity of the bonds he would have a sum which would pay him the equivalent of more than seven per cent on the amount he originally invested. On the other hand, if he spent his interest as he clipped his coupons he would simply get his money back when the bonds matured.

If you let any good investment remain invested and put your interest at work, you will get the real benefit of investing—compound interest on your investment. If your object is to create as large a fund as possible from which to enjoy income at a future time when you may need it, you will find this a very practical method for accomplishing your purpose.

Suppose you have a savings account drawing three per cent, with interest compounded, and you are able to deposit $10 a month in this account. Good bonds can be had in denominations of $100. In ten months you will have cash with which to buy one of these outright. Why not buy two, giving your note for $100 and putting up the two $100 bonds for security? Then you will have about $10 a year interest coming to you. Keep on depositing your $10 a month. The interest on these deposits will not amount to much, but will help. In less than a year you will have another $100 saved to pay your note given for your second bond. With two $100 bonds clear you can buy two more, putting up

the four as security. While you continue to deposit $10 a month from your own earnings you can add the compound interest on your savings account to the interest on your four bonds. Thus your interest earnings will amount to a little more than two months' savings.

If you keep up this practice you will have in a few years $1,000 in bonds. In your savings account you will accumulate your monthly deposits, your interest on them and the interest on your bonds. On the major portion of the funds saved by this plan you will get probably 5 per cent interest, or investment rates, on your savings.

Eventually this plan will put you in possession of investments large enough in themselves to give you an interest return equal to the monthly deposits you have made from your income, and from then on, even if you do not increase your monthly deposits, you will progress more than twice as fast. It is more than likely, however, that your experience in saving and investing will give you such a sense of elation that you will discover ways to increase your deposits from your income and your progress will be much faster.

Success in following out this plan is assured if you are faithful to your savings account, buy your bonds under the guidance of your banker and reinvest your interest. As you acquire bonds, do not keep them about the house. For a small

sum annually you can rent a safe deposit box in a bank vault where you can keep your bonds, with other valuable papers, in absolute security, accessible only to yourself.

Contrast this method with another followed by great numbers of people. They get a little money in their savings accounts and then invest it in some glittering scheme which promises large profits. In due time they are rudely awakened to the fact that their money is gone, that promised dividends are "postponed" and that they are numbered among the millions who every year fall victims to smooth investment sharks. Their experiences discourage new attempts to save, so they spend as they go and make no progress toward creating an Independence.

LEARN TO TRADE SUCCESSFULLY WITH SAVED CAPITAL

"Trading" with money is different from "investing" it. When you make an investment it is with the idea of putting the money in some sort of security or property from which interest, rents, or dividends are expected. Trading is buying and selling with the aim of profit making. People trade in stocks, bonds, real estate, and merchandise. It requires imagination, skill, and experience to be a good trader. The straight thinking habit is a necessary asset. People with

too much imagination are often led into risky undertakings; common sense is necessary to keep imagination under control. Wise people realize that their imagination is a little racy and take the precaution of consulting some level-headed, experienced person before going into trading enterprises.

A good trader does not part with his money unless he knows he is getting sound value for it. An excellent way to acquire the art of successful trading is to serve an apprenticeship in a well-managed business concern. Modern merchandising consists of buying and selling for profit.

It is beyond the plan of this book to suggest any large number of ways in which you may become a successful trader. Before accomplishing notably you will have to gain a large experience and learn to exercise ingenuity and common sense. However, an example or two may point the way.

This is the story of a youth who became a builder. He was a young factory worker. In going to and from his work he had an eye open for opportunity. He had made up his mind that he would not always be a factory worker. He had a little imagination too, coupled with common sense Every day he passed a deserted cottage, the yard filled with unsightly weeds One day he pushed open the battered door and looked around. "I believe," he said, "that this house

was well built. I am sure I could put it in shape. Probably it can be bought for a song."

Next we find him in the bank where he had been a savings depositor for a long time. He opened his pass book and laid it before an official. "I think I've found an opportunity to make a little money on the side," he said. "I'd like some advice." He described the house, which was near a large factory. He proposed to buy it if it could be obtained at a bargain and on easy terms. He explained that he had a knack with tools and could repair the house himself during the summer in his spare time.

The bank official approved the plan. He looked up the owner who had long considered the property practically worthless. A few months of happy work followed. The bank account furnished a moderate first payment on the house, also some necessary materials. The house was transformed, newly painted, plastered within and the lot planted to grass. The youth employed men to do some work beyond his skill.

People watched with interest. Before the work was done the young man had offers for the place. Before fixing a price his banker consulted a real estate broker in his behalf to ascertain what would be a fair price. Finally it was sold and the buyer assumed the deferred payments. The young man made a handsome profit on his labor and investment, this profit going back into the

the bank. More savings from his wages were added while he watched for another opportunity. It came His banker, pleased with the outcome of the first undertaking, was an interested adviser. Eventually this young man quit his job; for a time he made a business of remodeling old houses. He is now a large builder of new houses and is a man of considerable wealth.

Here is the story of the beginning of a merchant prince. At the age of eleven he arrived in Chicago with his widowed mother. He commenced to help the family purse by doing small odd jobs. He walked four miles and back every day to earn fifty cents. Later he worked in a grocery store at a dollar and a half a week. Then he got a job in the kind of a store of which he now owns five. He married, borrowing $200 to make the first payment on a home. By this time he was in a position where he was compelled to learn to save, and save he did, until he mastered the art of saving, and, incidentally, the art of spending. He was a hard worker and after some years he tried to buy a half interest in the store for $2,500, but was refused. So, with a good knowledge of the business, and many friends among the store's customers, he struck out for himself. His merchandising methods won him success and he has taken hundreds of thousands of dollars in profits out of his business. Every year of this man's business career has registered

progress because he learned to save, and in learning to do this acquired the trading habits from which success is made. He knew how to use money. He was a good trader.

BEFORE EMBARKING IN BUSINESS BE SURE YOU ARE RIGHT

An ambition to own a business or to be a partner in one is laudable, but such a step should not be lightly undertaken.

The first thing necessary in a business enterprise is sufficient capital. A large per cent of business failures are due to lack of capital. The promoters embark hopefully, easily picturing in their minds the making of large profits which they think will soon supply the necessary capital.

The field and opportunity for a business that is contemplated are important considerations. Is the business already overdone? Are those already in the field filling it adequately and are they prospering? The desire to own a business should not blind one to hard facts concerning conditions which will confront him.

Changes are constantly going on in the business world. Carriage factories once prospered but are now practically extinct. Changing styles make costly machinery obsolete and render stocks worthless. New inventions replace old appli-

ances and often wipe out capital invested in them. Great chain systems, mail order houses and department stores have made it hard for the small man in business to eke out a living. Great industries with their opportunities for mass production have become formidable competitors of the small producer. Profit making has become more and more a matter of ability to cut costs, to buy in large quantities, and to meet the strategy of competitors with better strategy. Business is becoming more and more a science, and demands brains and ability in ever increasing measure. Where heretofore industry has bred captains, it now requires generals.

When a business is started it is impossible to foresee all the needs for capital, and as it grows the demand for capital increases in great degree. If a business grows rapidly, it is a very unusual management that can resist the temptation to expand too fast, a mistake which rushes many a concern on the rocks. To be sure, if the business has capital and prospers, bank loans can be negotiated for seasonal purchases, if such purchases can be turned into cash by the time the loans mature.

To enter business with the expectation that a bank will furnish part of the permanent capital is a foredoomed hope. Even when a business concern is making large profits it is impossible for its owners to take these profits out in cash.

Growing concerns cannot distribute all of the profits to owners. Business wisdom necessitates creating a surplus and there is constant need of more capital in a growing business.

Prosperity has its cycles and almost every business has its "lean" years when profits are small or actual losses cut into the surplus.

Another important consideration for the person of limited means who plans going into business, is capable management. If he is to associate himself with others he must make a careful investigation of his proposed associates' integrity and ability. If the business is already established, inquiry made through banks, commercial agencies, or houses with which the management has been doing business will give him the needed facts.

If you are considering establishing a business of your own, the question of your own capability is one which controls the fate of your precious capital. Do not think if you have no experience, or if your judgment and experience have not already been proved in a responsible position, that your success is assured because of your keen desire to be your own boss. The chances are all against you if you embark in an enterprise with your experience all ahead of you.

"Being your own boss" is, of course, highly desirable and a praiseworthy ambition; but you must first gain your experience and learn how to

train other people. Men who are successful usually get their training in salaried positions where they serve their apprenticeship. Opportunities eventually come to employees, who have been tested, to purchase a small interest. The older men eventually pass on or retire and the younger men succeed them as principals. Opportunities of this kind usually come to those who have handled their own incomes wisely and have saved something. In many instances such interests can be paid for, in part, out of future earnings of the business. The buyer makes his first payment with his savings, and deferred payments are taken care of with profits.

IF YOUR CAPITAL IS INVESTED IN BUSINESS, SALT DOWN PART OF YOUR PROFITS IN OUTSIDE INVESTMENTS

When one is engaged in business for himself he is apt to make that business his whole investment, taking out of it his profits as well as his salary, and living up to them. Few men are "independent" if their all is invested in a business

The man who invests his capital and his time, which is money, in a business enterprise, reasonably expects three things: (1) a salary equal to the market value of his services and ability; (2) a fair interest return on his invested capital; (3)

a profit beyond mere interest. If he fails to get his profit, he would better question whether it were not wise to have his capital in such form that he might invest it profitably and work for some one else at the wage or salary he can command, instead of having his capital "frozen" in stocks, equipment, and accounts.

A business may generally be considered prosperous and successful when its earnings are sufficient for the necessary increases in capital which growth demands, and permit the owners to take out, in cash, sums which will be a fair return on the capital they have invested in it. The individual is wise and fortunate who confines his living expenditures to an amount which makes it possible to *"salt down"* a portion of such receipts toward a separate Independence. Following this practice for a period of years will establish a secondary income and create a real "Independence" —something to fall back upon if the business does not prove successful, or during the times of depression when profits fail.

CHAPTER X—The Tenth Principle

CONSERVE YOUR CAPITAL

Make your will and appoint an experienced executor and trustee Employ the best legal skill in drawing your will. Test your will periodically Insure your life, thus extending your support beyond its span; then insure your insurance

Establishing an Independence is the work of years. A fortune may be lost in a few weeks by one false move; it might be the signing of a single paper, an endorsement for a friend, or a note given in a venture that turns out disastrously, signing a mortgage to raise money which may be lost in an unfortunate enterprise, signing a contract with the expectation of gain, thus pledging your entire property to the success of the enterprise. The hard work of years has often been wiped out by such missteps as these.

Great tragedies are constantly enacted in which, after men have struggled a lifetime to amass an Independence, their accumulations are dissipated through the mistakes of inexperienced heirs. Men who are straight thinkers in their business affairs too often fail to set their houses

in order for the preservation of their estates. It is impossible to endow one's successors with the dearly-bought wisdom through which an estate is accumulated. Therefore the creator of an estate should project his vision beyond the day when his grasp of affairs will be loosened; and when some one else, less familiar than he with the network of his plans and affairs, must take up the thread of his life work and carry on in his place.

MAKE YOUR WILL AND APPOINT AN EXPERIENCED EXECUTOR AND TRUSTEE

The man who creates an estate and then neglects to make his will is gambling with chance. The law provides for the succession of property, but the law cannot be adjusted after one's death to the peculiar conditions which surround his family.

It may be desirable for an estate to pass in its entirety to the widow, to be distributed to the children after her death. This is peculiarly vital when the estate is large enough to support only her and the minor children. With no will, the law provides that she shall have her dower interest only, generally one third, the remainder to be divided forthwith among the other legal heirs.

It may be that certain heirs are temperamen-

tally unfit to conserve their shares. The law takes no cognizance of such a situation; it simply decrees that, in the absence of a will, the property shall be parceled out to heirs, thus and so. The probate or surrogate court can exercise no discretion whatever in conveying inheritances to heirs. However firmly convinced the court may be that some heirs will go through their fortunes quickly, it can put no restraining hand upon them unless they are proved absolutely incompetent. It is often an extremely delicate matter to prove such incompetency.

When you make your will you can decree not only to whom your property shall go, but you can also designate an executor and trustee to make the distribution and manage the property in behalf of the heirs. Unless you make a will, the court will appoint an administrator whose duty it shall be to inventory your property and reduce it to divisible form, then divide it according to law, within a specified time. Your estate, also, will then be divided into as many smaller estates as you have legal heirs, and each heir of legal age may use his portion as he sees fit.

Immediate distribution of an estate often works hardships In order to accomplish it there may be the necessity of forced sale, at a sacrifice, of certain portions. Should the property consist, in part, of the controlling interest in a corporation, and if the shares be divided among heirs, a

sale by one heir of his shares, or his alignment with unfriendly interests, might throw the other heirs into the minority and cause disaster. In another chapter we have referred to the disadvantages which stockholders in some corporations suffer through the "freezing out" process.

Such consequences as these can be forestalled through a will, in which provision can be made for holding the entire interest in trust, with instructions that the trustee shall not sell a number of shares sufficient to cause the loss of control, or that in the event any are to be sold, all shall be included.

Because of numerous other considerations it may be expedient to hold intact an estate, or certain portions of it, to be managed as a unit. This would necessitate a trusteeship which can be provided only by will. If it should be expedient to give one or more heirs an income from property, instead of bestowing property outright, a trusteeship is the only means for accomplishing this end. In many cases this would be a highly desirable way of safeguarding certain heirs' interests. Through a trusteeship an aged mother, a daughter, or other beneficiaries may be provided with an income during life, the principal fund to revert to others at the death of the person for whom the trust is made. Putting property in trust with a bank or trust organization as trustee, removes the heritages of inex-

perienced heirs from the dangers of falling under sinister influences; it is also the best possible safeguard against their own mistakes. The trust may provide that the principal be turned over to beneficiaries after they have reached an age when it may be presumed they have gained sufficient experience to enable them to manage their interests competently.

The matter of gathering up the loose ends of an estate, putting it into the best possible condition and administering its affairs, is one requiring unusual qualifications. Being a successful manufacturer or lawyer does not qualify one as an expert in handling estates. The latter requires skill in investing, a knowledge of tax matters, of legal matters, and accounting, as well as numerous other accomplishments.

Many testators (persons who make wills) designate individuals in their wills to perform these delicate tasks; such a choice is often made because of friendship or relationship.

An individual executor or trustee, however, may not outlive the trust; indeed, he may himself die before the testator; he may be a person too absorbed in his own affairs to be burdened with the exacting duties of winding up an estate; he may be absent at times when his presence is greatly needed; he may be ill or even incapacitated. It is often recorded that individual trustees have proved unworthy of the confidence

imposed upon them. A person may live many years after making his will in which an individual is named as executor and trustee, and time often witnesses great changes in such an individual.

The modern way to provide for the most skillful administration of an estate is to put it in the hands, by will, of a trust organization.

A trust company is an organization created for the purpose of acting as executor and trustee of estates. Its staff is specially trained in this work. It cannot afford to make mistakes. It has large financial responsibility. An individual who assumes this task is liable to the estate for his errors of judgment or mistakes. He would be held responsible for any loss incurred through his carelessness, ignorance, or misplaced confidence in others. Many testators who name friends would hesitate to do so if they thought of the burden they are putting upon them.

A trust company's officers are skilled in making investments and handling property. While an individual executor or trustee may be ill or become incapacitated, or be absent at critical times in the affairs of the estate, a trust company is always on hand, never ill, never travels and is not embarrassed when members of its staff are absent.

The matter of expense should not deter one from appointing a trust company as executor or trustee of his estate. It is customary for a court

to allow fees to an individual acting in these capacities as large as would be awarded a trust company. On the other hand, the specialized skill which a trust company possesses may effect considerable saving to an estate, both of principal and income. In the long run, the actual costs might be even less than if the work were entrusted to an individual.

EMPLOY THE BEST LEGAL ABILITY IN DRAWING YOUR WILL

Making a legal will is a matter requiring a high degree of technical knowledge as well as keen foresight. Laymen are rarely sufficiently posted to write their own wills, no matter how clear an idea they may have of the way in which they wish to dispose of the fruits of their life work. When a will is drawn by a person unlearned in the law, disaster is invited. Carefully thought-out provisions may come to naught if the will does not comply with the law. If, because of legal defects, the court declines to recognize it, the procedure will be as though no will were made. If a will is attacked by dissatisfied heirs, improper or ambiguous phraseology will strengthen their position.

A business man of my acquaintance who was unusually well informed upon estate matters was impressed by the will of a prominent national

figure. In one brief paragraph this man bestowed all his property on his wife and named her executor without a bond. "That is exactly what I want to do," said this man, and so he copied the will, executed it and put it in his safe deposit box.

A year or two later, in conversation with a group of friends, one of whom was a lawyer, this man mentionel that he had copied the will of the prominent man. The lawyer in the group laughed and astonished his friend by saying, "You have no will at all. The man whose will you copied had no children. You have five. While you have a perfect right to bequeath all your property to your wife, giving your children nothing, your will is invalid because you make no mention whatever of the children." This man promptly went to an attorney and had a legal will drawn.

Some wills have been invalidated because they were witnessed by persons who were beneficiaries under them In such a case it is as if no will were made, as a court would take no cognizance of one witnessed in this manner.

For some reason many people are loath to admit that they are mortal and refuse to recognize the seriousness of the duty to make a will. Many estates have thus been exposed to the winds of chance and heartbreaking misfortunes have resulted.

TEST YOUR WILL PERIODICALLY

There now lie in safe deposit boxes and in other places of hiding, countless numbers of wills, which, when their makers pass on, will prove utter misfits. It is often impossible to comply with conditions expressed in wills which were made long ago.

After a will is made and put away, perhaps forgotten, changes in family and fortune keep right on. Under such circumstances there can be no finality to a will. The fortune may increase before the death of the testator and the will may provide for the distribution or management of a much smaller estate; or the opposite may occur and property bequeathed may be subsequently lost or disposed of during the life of the testator. A rearrangement of bequests may be wise in order to adequately provide for certain dependents.

Perhaps, in the case of a long drawn will, inheritance taxes, Federal or state, may have been enacted which will make heavy demands on the estate and require provision made for them. Certain beneficiaries named in the will may have died, or may have become so prosperous that bequests made to them might be appropriately transferred to other more needy ones. Deaths, marriages, and births in the family after a will has been made may require new consideration, and finally, the executor named may have died,

moved away, or become incapacitated by age or infirmities. The estate may have become involved in such a way that an aged executor may not be equal to his task.

If a will was made many years ago it was adapted to family conditions which existed then. Meanwhile, if the testator has prospered the family has enlarged its scale of living. Thus provision made to meet earlier conditions would be inadequate. Such a will also recognized the existence of only such members as there were then, while descendants may have increased in the intervening years.

The only way to make suitable provision for present conditions is to review the will periodically and adjust its provisions to family changes, as well as to changes in the property which it is designed to bestow. This may be done easily under the direction of the family lawyer, either by codicil or by writing a new will. Under no circumstances should the text of a will be altered after it has been signed and witnessed, for such action would invalidate it.

INSURE YOUR LIFE, THUS EXTENDING YOUR SUPPORT BEYOND ITS SPAN; THEN INSURE YOUR INSURANCE

It is a provision in the scheme of life that no man can know the hour of his departure from

the scene of his labors. Few men complete their life work. Most men die in the midst of their activities, leaving incompleted tasks, half fulfilled plans. Very likely to-day's paper recorded the death of a man whose family lives in a mortgaged home and who "hadn't gotten around yet" to the important matter of adequately insuring his life. What a difference it would have made to his family if there had been a life insurance policy or two which would have freed that home from debt!

Every day witnesses the passing of men who have prospered fairly well but are under obligations which, at the final reckoning, wipe out their estates. They have partly paid for interests in their business. They are halfway through some enterprises to which they had contributed their all and pledged future earnings as well. They had bought numerous things on deferred payments and now leave to widows and children the problem of meeting these obligations. Even their last illness and death lay a heavy burden of debt upon relatives who are in no condition to pay it.

If men in this mortgaged condition would only pause to think of the dire situations they are creating for their families, they would lose no time in protecting their obligations with insurance, and providing more also, for family income.

To the head of a family it is a matter of deep

concern how much dependence for support his family can place upon his foresight and consideration for them should he be taken away. Only in exceptional cases can a man who has amassed little property provide enough life insurance to maintain his family in their accustomed scale of living. Under this condition the principal of the insurance will simply tide the family over the period during which it is adjusting itself; while some of its members are preparing to earn for the family support, or while the widow is equipping herself to earn a living.

Consider the prosperous business concern, the success of which rests largely upon the life and health of one man. The firm has frequent occasion to use its credit at the bank. In granting this credit the bank feels much more secure if the life of the strong man in the business is insured in its favor. Such insurance also gives added protection for the family, because in case of death it increases the family interest in the estate.

A growing "cash surrender value" in one's life insurance policy is an asset which may legitimately appear in a financial statement. As it is for family protection, however, it should not be drawn upon except in case of real emergency.

One may contemplate with satisfaction the gross amount of the fortune he has amassed; but its net worth becomes greatly reduced, even un-

der the best control, after the inevitable event. Death takes heavy tolls from one's estate.

In order to meet inheritance taxes and administration expenses it is often necessary to make a forced sale of some holdings at a time when conditions are unfavorable. Life insurance in these circumstances would be an absolute salvation to a family.

The excuse which many give for failing to carry adequate life insurance is their inability to pay the premiums. They should weigh this condition against the ability of their families to battle with the circumstances into which the death of the family provider would plunge them.

If one pictures in his mind what these conditions would be, he might willingly forego some of the pleasures he is buying with his income, and unselfishly make provision for those who have the right to expect it of him.

Death has fewer terrors for the man who can say, "I have life insurance to clear the encumbrances on my property, to offset inevitable shrinkage in my estate, to meet tax liabilities, to prevent sacrificing my assets for the immediate demands for cash for the imperative needs of my family. I have enough to enable my dependents to meet the pressing needs of livelihood."

INSURE YOUR INSURANCE

In buying life insurance for family protection many men overlook the vital matter of *insuring the insurance*. Too little thought is given to the question of the ability of one's beneficiaries to invest the proceeds of policies wisely.

A widow known to have life insurance money becomes at once a mark for fraudulent investment schemes as well as for well-intentioned friends and relatives. Her insurance money is in danger. She is beset with alluring proposals for its investment, and in her need for a maximum income she is prone to give a willing ear to them. She is offered stocks at "ground floor" prices. She is offered partnerships in the enterprises of her relatives. She is offered liberal rates of interest from friends who wish to borrow of her. With a larger sum of cash in her hands than she is accustomed to, she may even spend unwisely. It is a lamentable fact that a large percentage of life insurance bequests are dissipated by beneficiaries within a few short years from the death of the insured.

To assure beneficiaries against the importunities of designing schemers and well-intentioned friends, and to guarantee that life insurance money will perform the mission for which it is intended, many men now create Life Insurance Trusts.

By this plan the insurance is paid at the death of the insured to a trust company or bank, as trustee. Such obligations as may be necessary are paid by the trustee and the remainder safely invested and managed. The beneficiary receives the income, and provision may be made for the ultimate disposal of the principal. There are no set rules for creating a Life Insurance Trust, and the agreement can be drawn in such a way that conditions peculiar to the insured and his family are met. The fees of the trust company for handling such a trust are not excessive.

As life insurance companies, under ordinary policies, lose contact with beneficiaries as soon as the policies are paid, naming a trust company or bank as trustee, gives to the beneficiaries the advantages of experienced and continuous management of the funds they receive through life insurance policies.

Countless numbers of widows have been obliged, late in life, to make their own living, often at menial tasks, because their husbands were intent on accumulating, and failed to reckon on the day when their hands would fall from their labors.

A man with a family to support should consider it as much his duty to make provisions for his family after his death as before. Many whose earnings are large, go out of this world

leaving only heritages of debts; thus they bring their families face to face with poverty and distress. It is little credit to a man if the fruits of his success can be enjoyed by his family only while he lives. He falls short of his duty so long as he fails to take the steps which will protect those who are dear to him at the time when they will most need protection.

When one has struggled for years to create an Independence, and has succeeded, even moderately, it would seem the most natural thing in the world to throw all the safeguards possible around his fortune. It can be done so simply with a little thoughtful study. When men apply the same prudence and foresight which they use in acquiring an estate, to its preservation, they will save their families from bitter hardships.

IN CONCLUSION

The foregoing chapters are an elaboration of "Ten Fundamental Principles for Achieving Economic Independence and Personal Financial Success." These principles are not newly invented. Benjamin Franklin, the father of American thrift, in the homilies on thrift which he wrote in the eighteenth century, touched upon most of these principles, though they have waited long to be assembled into a complete formula, each step in natural sequence. As Franklin practiced what he preached, he accumulated what in his time was considered a large fortune.

Through the generations since Franklin's time, millions of people have applied some or all of these principles. Many of them gave faithful attention to their saving, governed their spending wisely and then lost their all through unwise investment or misplaced confidence.

Many people who are well along in years wonder why they have so little to show for their life labors. Perhaps it is because they were never blessed with the stimulus of decision, in which case the other nine principles, which we have laid down, could never operate in their lives.

Many others have decided, set goals, planned, learned to save and spend, and to subdue waste; they have been industrious; yet success did not crown their efforts because they did not know exactly how to employ capital and credit wisely and for profit.

Possibly they used banking facilities but did not learn how to extract the greatest benefit from their banking affiliations. So they labored, unaided, against odds.

A deplorably large number of people, mostly men, have achieved Independence for themselves in a greater or less degree; absorbed in the processes of accumulation, they neglected to look ahead to the inevitable day when their possessions would become what we commonly call "estates."

Helpless women and children have been left to untangle their mysterious affairs and to meet the stern realities of life with the residue they were able to salvage, without knowing how to preserve even that. This kind of tragedy will continue to be enacted in thousands of homes until our Tenth Principle becomes so well established that an unguarded estate will be a rarity.

Why try by halfway measures to create and retain an Independence and extend its blessings to dependents? Why ignore fundamental principles which assure success and insure permanency? Where one person may succeed with half-

way measures, a thousand can succeed by going all the way.

I commend to you our "Ten Fundamental Principles for Economic Independence and Personal Financial Success." If you are already making fair progress with four or five of them, take them all into your life and see how much faster, how much more safely and surely you will go.

The addition will not create new complexities —it will simplify them; it will smooth your path; it will enable you to see more clearly to your next goal.

Make these principles your Declaration of Independence.

MY DECLARATION OF INDEPENDENCE

Article I

I will become independent. I will be a property owner. I will create investments from which I shall receive an income, besides the income from my personal toil. I will goal my achievement high. When my goal is reached I will set another, higher one, and keep on.

Article II

I will learn to think straight. I will work out a plan for reaching my goal, follow it faithfully, and improve the plan as experience teaches me.

Article III

I will master the art of saving. I will have a saving plan and bank my savings regularly. I will take the fullest advantage of compound interest.

Article IV

I will master the art of spending. I will limit my wants to increase my resources. I will not buy luxuries while I can pay for necessities only. I will fit my living to my purse. I will economize, and then capitalize my economies.

Article V

I will guard against waste. I will not waste money by hoarding it at home or in my pocket. I will conserve my health. I will get the habit of redeeming waste and turning it into capital.

Article VI

I will cultivate the habit of industry. I will prepare myself for the job higher up. I will turn a portion of my daily mental and physical labor into permanent capital.

Article VII

I will go into debt wisely. I will incur no debts unless I am sure of the money to pay them. I will hold installment buying within bounds. I will consider a debt a sacred obligation. I will use credit only for legitimate gain. I will make a monthly statement of my assets and liabilities. I will establish my credit at my bank.

Article VIII

I will cultivate relations with my bank. I will give faithful attention to my savings account. I will get a good understanding of banking aims.

Article IX

I will use saved capital for profit. I will never speculate. I will observe the rules of safe invest-

ment and consult my banker before investing. I will get compound interest on my investments by banking the interest.

ARTICLE X

I will make an intelligent study of methods of keeping my Independence after acquiring it. I will take prudent steps for conserving my property for the benefit of my loved ones, should I be taken away. I will insure my life.

APPENDIX

BIBLIOGRAPHY OF THRIFT

The following titles do not comprise a complete catalog of books on the subject of thrift which have been published. The purpose of this list is to enable the student to explore the subject, or some particular angle of it, further than the outlines of this book allow.

A B C of Home Saving, by L C Farmer (Harper, 1916). Handbook of practical suggestions for economy in the home.

Adventures in Thrift, by A. S. Richardson (Bobbs-Merrill, 1916).

Art of Investment, The, by Gaines (Ronald Press, 1922). Discusses the principles governing the investment of personal funds and seeks to help the individual investor with his problems

Art of Saving, The, by Harvey A. Blodgett (Harvey Blodgett Co, St Paul, 1918)

Book of Thrift, by T. D MacGregor (Funk & Wagnalls, 1916). Various aspects of the thrift movement well and interestingly treated

Business Fundamentals, by R W Babson (Revell, 1923) How to become a successful business man

Careful Investor, The, by E S Meade (Lippincott, 1918) Detailed advice as to investment in stocks and bonds.

Creating Capital, by Frederick L. Lipman (Houghton, 1918). Money making as an aim in business.

Developing Executive Ability, by E. B. Gowin (Ronald Press, 1920). Deals mainly in general matters of routine, good working habits and rules for mental and physical economy which will establish a spirit and habit of order.

Double Your Savings; It Can Be Done, by Harvey A. Blodgett (Harvey Blodgett Company, 1921). A book for bankers only. By this work the author hopes to bring about a standardization of methods of thrift development.

Economics of the Household, by B. R. Andrews (Macmillan, 1924). Treats with the general administrative and financial background of the private family household.

Enduring Investments, by R. W. Babson (Macmillan, 1921). Habit and the accumulation of money; when money ceases to be of value, retiring from business; developing a prosperity which will endure.

Father Thrift and His Animal Friends, by J. C. Sindclar (Beckley-Candy Co, 1918). Stories for young children.

Food Problems, by A. N. Farmer (Ginn & Co, 1918). Problems of conservation and thrift well arranged and illustrated.

Golden Windows, by L. E Richards (Little Brown & Co, 1906) A fortune. A short story of the joy which comes from real pleasures.

History of the Thrift Movement in America, by S. W. Straus (Lippincott, 1920). The book is one of Lippincott's Thrift Text Stories edited by Arthur H. Chamberlain.

House of Protection, The, by G. M Lovelace (Harper,

1921). Shows insurance as one of the means toward Saving and Thrift.

How to Get Ahead, by A W. Atwood (Bobbs-Merrill, 1917). Popular treatment of individual and domestic economy and wise investment. Practical and constructive.

How to Get on Two Pay-rolls, by E. A Hungerford (Bobbs-Merrill, 1921).

How to Keep Your Money and Make It Earn More, by Herbert N Casson (Forbes, 1923).

How to Make and Save Money, by G. W. Drew (G. W Drew, 1912).

How to Make the Best of Life, by Arnold Bennett (Doran, 1923).

Increasing Home Efficiency, by M. B and R. W. Bruere (Macmillan, 1912) Interesting record of a personal investigation into common beliefs and practices as to domestic finance, budgets, marketing and its broader relations to the industrial and economical world.

Increasing Human Efficiency in Business, by Walter Dill Scott (Macmillan, 1923).

Investment, a New Profession, by Henry S Sturgis (Macmillan, 1924). Outlines the economic functions of the investment banker and points out the factors to be considered in choosing an investment from the professional point of view

Investments, Jordan on, by D F. Jordan (Prentice-Hall, 1920). Written for use of investors and of persons professionally engaged or about to be engaged in investment work

Making the Most of Life, by J. W. Cunningham (Macmillan, 1920).

Money and Investments, by Montgomery Rollins (Financial Publishing Co). Reference book for

those wishing to invest and to save money. Definitions of all terms in common financial use.

Money Making for Boys, by A. F. Collins (Dodd Mead & Co, 1917). Tells the boy who wants to make money how to do it and what to do with his money after he has made it.

New American Thrift, The (American Academy of Political and Social Science, 1920). Discusses thrift for the individual and the family, thrift for the nation, thrift in resources and industry and gives suggestions for promoting thrift.

New Thrift, The, by Bolton Hall (Huebsch, 1916). Popular discourse on personal economy with several chapters on community and public economy. Entertaining and sound

Pennies and Plans, by A. E. Moore (Macmillan, 1919). A first reader. An interesting book for little children. Excellent for supplementary reading.

Principles of Bond Investment, by Lawrence Chamberlain (Henry Holt & Co., 1911).

Save and Have, University Society (University Society, 1919). A book of saving graces for American homes

Science of Purchasing, The, by Helen Hysell (Appleton, 1922). Provides a concrete manual for business houses and students of purchasing

Simple Principles of Investment, by Thomas Gibson (Doubleday, 1919)

Spending the Family Income, by S A. Donham (Little, Brown & Co., 1921). Shows how a successful family budget can be made to cover shelter, food, clothing, operating and development and also provide for savings

Stocks and Bonds, by R W Babson (Babson Statistical Co) Instructive study of these two kinds of securities showing in a comprehensive and concise manner their strong and weak points together with reasons why some classes of securities are attractive, and why others are unattractive and therefore should be avoided

Stories of Thrift for Young Americans, by W. T. Pritchard and G. A. Turkington (Scribner, 1915) Very interesting reading and full of practical suggestions

Successful Family Life on the Moderate Income, by Mary H. Abel (Lippincott, 1921). The man's earnings. The woman's contribution. The co-operation of the community.

Thrift, by Samuel Smiles (Harper).

Thrift, by O. S. Marden (Crowell, 1918). Short essay form Very good.

Thrift and Conservation; How to Teach It, by A. H. and J F. Chamberlain (Lippincott, 1919) Sets forth the needs for thrift teaching and gives practical applications of thrift principles to the life of the people.

Thrift in the Household, by D M Hughes (Lathrop, 1918). Thrift not only in household finance but also in food preparation,—labor saving devices, etc

Training in Thrift, by Eleanor R. Larrison (Abingdon Press, 1921).

Use of Money, by E A Kirkpatrick (Bobbs-Merrill, 1915). Excellent for the financial training of children

Woman Who Spends, The, by B J Richardson (Whitcomb & Barrows, 1910). General and inspirational.

APPENDIX

GOVERNMENT BULLETINS

The following bulletins may be obtained by applying to the Bureau of Documents, Government Printing Office, Washington, D. C.

(Many of the following were written during the war but are quite as useful under present conditions.)

Food

"Care of Food in the Home" (*Farmer's Bulletin*, Nov. 1923, 5 cents).

"Fruit Savers and Sugar Savers" (U. S. Food Administration, Index H 6-0591).

"Help Feed Yourself" (Dept. of Agriculture, Food Thrift Serial No. 1, 916510-17).

"Let Nothing Spoil" (Food Thrift Serial No. 3, 98330-17).

"Maximum Preservation of Fruit with Minimum Sugar" (U. S. Food Administration, Index H 6-0591).

"Watch Your Kitchen Waste" (Food Thrift Serial No. 2, 929020-17).

"How Other People Get Ahead," by F J. Haskens (U. S. Savings Division, U. S. Treasury Department, 1919).

"Lessons in Community and National Life" (Department of Interior, Bureau of Education, Serial A, 25 cents).

Fuel

"Coal Saving in the Home."

"Boiler and Furnace Testing" (Factories), by R. T. Strohm (Engineer Bulletin No 1).

"How to Burn Soft Coal in the Home."

"How to Burn Soft Coal in a Base Burner Stove" (U. S. Fuel Administration).

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